A Southern Perspective on Development Studies

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Book Cover is Martin Waldseemüller's 1507 world map where America appears for the first time to Europeans as a separate continent.

Contents

Introduction

Question everything and everyone. Be subversive,
constantly questioning reality and
the status quo.
Be a poet, not a huckster. Don't cater, don't
pander, especially not to possible audiences,
readers, editors, or publishers.
Come out of your closet. It's dark in there.
Raise the blinds, throw open your shuttered
windows, raise the roof, unscrew the locks
from the doors, but don't throw away the
screws.
Be committed to something outside yourself.
Be militant about it. Or ecstatic.

Challenges to Young Poets by Lawrence Ferlinghetti

Episodes in the history of Latin American social sciences and the various discursive formations communicated by means of a Western-centric[1] language might be especially uncomfortable or intractable to the reader, if the narrative that follows aims to reveal a whole set of misapprehensions by the Western-centric tradition. Starting with the misrecognition of the existence of an autochthonous regional discourse on economics, which requires re-examination. Hopefully, the narrative will become "uncomfortable", which means that the account has a tale to tell!

The following narrative points towards several historical circumstances, which enabled the theories developed within Latin America vis-à-vis the then dominant orthodox economics tradition, both regionally and worldwide in the 1940s. Chapter 1 *A Southern Perspective on Development Studies: Contributions from Latin America* offers a sketch of the "Southern" theoretical problematic and historical context that can be examined with more detail in the following chapters of the book. Hence, Chapter 2 *The Unfamiliar Raúl Prebisch (1943-1949)* aims to exhibit a relatively unknown phase of the theoretical transition in the vast work of Prebisch (1901-1986), which in part got curtailed in 1949 given the responsibilities he was to undertake when he was the Executive Secretary of the Economic Commission for Latin America (ECLAC).[2] Next, in Chapter 3, there is a summary of the work and

[1] Anglo-Saxon and/or Eurocentric discourses.

[2] Since its first day, the creation of ECLAC sought after Prebisch as the ideal candidate to be Executive Secretary, a post he rejected in July 1948, which was then occupied by the Mexican Gustavo Martinez Cabañas. After much "pleading", Prebisch accepted a three month consultancy post in 1949, which after the appearance of the famous text (Latin American "Manifesto"), generated a further negotiation and discussion culminating in his acceptance of the Executive Secretary in question; it is worthwhile to examine the wording of the emissary sent from the UN to talk to Prebisch on the issue. Adolfo Dorfman, in a letter to Victor Urquidi (who had equally rejected the post), conveys to him the sad news of Prebisch's negative answer, "various reasons were wielded, but anyway, important is... that he offered advice and sporadic collaboration, *which is something*" (Dorfman 1948, my emphasis).

struggles of Celso Furtado (1918-2004) *Celso Furtado and Development: A Brief Outline (1950-2004)*. Chapter 4 *Theoretical Misrecognitions as the Source of Development Theory Déjà Vu* assesses the figure and work of Albert O. Hirschman (1915-2012), during the 1950s and early 1960s. He was Furtado's contemporary in most theoretical details of the period.

The book then changes its "geographical" direction. Two chapters examine and evaluate *How Economics Forgot Power* and *All That Is Solid Does Not Necessarily Melt Into Air* in the scope of two brave and recent critiques of mainstream economics as portrayed in the Western-centric academic circles. However, examined from a "Southern" or Latin American Structuralism perspective, our story emphasizes mainly the theoretical aspects of those books that stopped short of the "full nine yards".[3]

The resolution to focus on certain Latin American theorists as the main contenders of the story about "development" is related, paradoxically, to their recent upsurge *within* Western-centric discourses, in which the names of Raúl Prebisch and Celso Furtado appear prominently. I believe it is time to recover the central themes and terminology of their ideas, which have been "domesticated" as it were, or read through a vocabulary that was precisely their objective to question.

There are two central themes implicit or explicit in the argument of the book, namely: (a) the process of a theoretical reconstruction; and (b) the status of the notion of power:

> (1) it assumes, on the one hand, that the Latin American critique of the ethnocentric characteristics of the discourse implied the construction of a set of new objects and categories, but which, on the other, meant simultaneously problematizing the adequacy of those categories to explain those economies from which they were apparently their "image";
>
> (2) the theoretical reconfiguration pivots on a long well-established tradition, from Marx onward, in which the power asymmetry among and between agents and the social relations in question are paramount, but Latin American Structuralism critique of Western-centric discourse embraces the idea that it has surpassed ("superseding" in Hegelian terms), in a very important sense, certain of Marx's notions.

[3] Originally, the book was composed with the aim to include the work of Enrique Leff on the "environment" and the sustainable development in the Periphery, which also represents a regional autochthonous perspective, but I was not given permission to incorporate the text: "The Sustainable Development Labyrinth" (Mallorquin 2017a), which was originally published in the *International Journal of Pluralism and Economics Education*, *8*(1). Its publisher, "Inderscience," seems to own the copyright on behalf of *IJPEE*, which should be a warning to all future authors whose purpose is to publish under this corporation's name.

After the Bombing of Hiroshima

After World War II, the diffusion of Western-centric governmentality discourse (government and governed), was transmuted into a three-layer governmentality: "households and firms," "self-governing units" ("people-goods"), and national governments, in charge of the latter's surveillance, which are in turn "gazed" upon by top layer "international organizations" (Danby 2017: 78). Governments "gained" "new powers" by means of national accounting statistics: surveillance and surveying make "government" instantaneously more visible (ibid.) and vulnerable.

International organizations after WWII and governments amplified their field of action and the "nation" became an object of the multilateral organizations and international purview: the hitherto race civilization divide took on a distinct new form, superseded by a new "scale-making project." (Danby 2017: 79). The "developed/underdeveloped" economy or society couple implied:

> A rhetoric of discipline and punishment (for disordered people, families, and nations) structured: the merging world and international institutions (...) [the] difference worked differently: on the one hand rigorously standardized categories of nation, government, household, business, and citizen promised formal equality. On the other hand, the world could be divided into those who lived up to and enacted these categories, and those who fell short and therefore required tutelage and discipline. (Danby 2017: 78-79)

In fact, the Keynesian national income accounting was to "conquer the world." The "choice" meant highlighting the household/business split, a product of "modernist ideology" (Danby 2017: 63). The productive process was divided into "two categories" distinguished by "the state of mind of the people doing that activity" (ibid.), monetary spending, households and businessmen/government, which alternatively can be differentiated by regrouping into one single flow "of disparate 'real' goods and services" (ibid.), with money as the underlying "unit", or neglecting the "real" products and services, and "treat money as important *in itself,* as a financial asset with its own properties" (ibid.).

The Keynesian theoretical victory of national income accounting displaced questions that Kuznets addressed, regarding "measuring" well-being and "flow of life-improving benefits to households" (Danby 2017: 64). The potentially warring historical characteristics of WWII and the changing process of *economic representation,* with the rise of the new international institutions: the Organization for European Economic Cooperation (OEEC), and the United Nations; the IMF and the World Bank, all of which display the data gathering momentum, dwarfing the conundrum of the "welfarist" "national income" debate:

> After the war, [M] Gilbert consolidated the victory of Keynesian national income accounting in the United States, ensuring that there would be no peacetime reversion to Kuznets's system. This was a moment of some drama. In 1947, the National Income Division of the Commerce Department, now directed by Gilbert, published *National Income and Product Statistics of the United States, 1929-1946,* which pointedly redid all the estimates Kuznets had produced in the 1930's, using Keynesian concepts and signaled that the Keynesian framework would be used later. Kuznets attacked the new figures in a 1948 article. (...) He charged that the new system may allow the investigator to rest too comfortably on the monetary surface of economic circulation, without forcing him to examine closely the real flow of commodities and services beneath the surface -a danger that, as the discussion below suggests, the report does not avoid. (Kuznets in Danby 2017: 70-71)

The "shape of the world," as coined by Danby, had been reconstituted, and with new "nations," and the force of the decolonization movements, signals the inevitable decline of tutelage by "empires" and its organization. Nationhood, literally "parachuted" so to speak, in many cases, despite the communities' wishes in question, "imposing watchful disciplines" (Danby 2017: 68): Keynesian monetary economics and bounded national entities revolve around the concepts imported from accounting procedures.

The rise of a specific set of both national and international accounting procedures is a story of a specific power struggle, which Keynes's disciples ultimately hegemonized, in which the chief theoretical heroes were M. Gilbert and R. Stone: Keynes "persuaded" (Danby 2017: 68) the British government in the 1940s for Stone's incorporation into the process of assembling data, who in turn occupied and dominated the Organization for European Economic Cooperation, and United Nations (UN) alongside Milton Gilbert, U.S.A's conqueror of Kuznets in the "national accounting" standardization dispute:

> In a nutshell, a set of international organizations emerged after WWII that needed standardized nation-level concepts. Richard Stone and Milton Gilbert had forged a common Anglo-American position during the war on national income accounting: There was no serious competitor. No alternative system of national accounting had such well-placed advocates or was as well poised to claim global applicability. (Danby 2017: 68-69)

The national accounting theoretical "framework"[4] Y = C + I + G in Keynes's 1940 text *How to Pay for War,* had previously undergone a sustained *theoretical dispute*, to say the least, vis-à-vis the then denominated "Treasury View".[5] The epoch exhibits a singular "will to power" on the move, all of which is incomprehensible without naming the force of the *persona* in question.

[4] Y=National Income, C=Private Consumption, I=Private Investment, G=Government Spending.

[5] See also Chapters 5 and 7 in Peden (2000, 2004).

By “the summer of 1940, [Keynes] was an insider at the Treasury” having “accepted” an invitation to become a “member of a new Consultative Council” to “advise the Chancellor” (Peden 2000: 311), while simultaneously Hawtrey’s influence “underwent a complete eclipse” (ibid.). By September of 1941, Keynes was a “director of the Bank of England” (Peden 2004: 12) and a “peer by June of 1942” (Ibid). Although both [Hubert] Henderson and [Dennis] Robertson had left the Treasury by the end of 1945, “Neither (...) could match Keynes’s personality. Moreover, as Henderson had grudgingly to admit, ‘the currents of abstract economic thought’ had been ‘flowing in recent years in the direction of sympathy with the doctrines to which Lord Keynes is attached” (Peden 2000: 312).

Keynes, to put it as quaintly as possible, did not hide his loathsome attitude toward those he considered “intellectually” inferior,[6] but to be fair to him his conduct was unmistakably consistent as can be examined from his famous depiction of the Bretton Woods participants in 1944 as “the most monstrous monkey-house assembled for years” (quoted in Thornton 2017: 150).

Cosio Villegas´s (the Mexican representative) appreciation at the Bretton Woods venue, recollects the war in process and the USA-Great Britain power struggle as the source of the “authoritarian” spirit of the Conference. It was a well-organized “consensus” charade among those countries invited with the aim to bring to light the newly created financial institutions of the IMF and the World Bank of Reconstruction and Development. Cosio Villegas describes a “clash with the great master” (Cosio 1976: 220), in two interventions which he made to the Committee discussing the project of the World Bank for Reconstruction and Development, and in which Keynes, as the Director of the Debates, simply “discourteously” put aside: Cosio Villegas wanted to change the title’s order of appearance, “development” before “reconstruction,” since the latter was to be a task for a limited and temporary period in the Bank’s tasks, while development had to be thought of “eternally”, especially for Latin American countries. For the sake of unanimity, in this occasion Cosio Villegas did not contradict Keynes’s “dismissal” remark that the Bank’s name was not under discussion, but when an acute article relating to loan applications was being prepared, Cosio Villegas questioned the concentrated nature of the decisions in the hands of a small group, e.g. USA/England, and perhaps, France, which to top it all, the reception of the loan in a specific denomination could elevate the costs substantially if the credit had to be used in a country of a different monetary unit (say Franc loan for a dollar acquisition). Without fail, Keynes dismissed the submission, but on this occasion, Cosio Villegas (Cosio 1976: 221) announced that Mexico would vote against the article, and simultaneously demanded that a note be taken unveiling both the negative posture and the reasons of the Mexican government. Finally, the matter

[6] For example, in 1945, Keynes hailed a long-standing Treasury representative, in charge of the “Home Finance Division,” Hebert Brittain, as being “intellectually contemptible” (Peden 2000: 356).

was solved by stipulating that Latin American countries would have two permanent representatives in the governing committee of both the World Bank and the IMF, regardless of the volume of capital contributions by which the voting rights were accorded, although it did not change the dominance of USA, Great Britain, and France as major "shareholders" in those financial institutions (Helleiner 2014).

The theoretical differences between (Gilbert) "monetary" and (Kuznets) "real" were initially the source of the antagonism during the process of constructing national accounts:

> flows of spending for *their own sake,* not as proxies for something else, and integrates them into a *monetary* macroeconomic theory. By contrast for Kuznets, the central purpose of national income, moral as well as analytical was to measure the flow of real benefits to households: good meals, warm houses, decent clothes. (Danby 2017: 71)

In Kuznets's perspective, government (military expenditure), could not be seen as "benefiting" households, nor could the government be perceived as some kind of "ultimate consumer" as a "corporeal entity" (ibid.) in the same sense by which men and women attain satisfaction, if only because it invites a dangerous "fetishism" (ibid.).

Gilbert's reply was that Kuznets excluded from "total production" certain goods and services. These theoretical disputes accentuate Danby's central thesis, whereby a "moralistic flavor" creeps in disfiguring "national income measurements". Thus, romantics such as Ruskin can be reinstated into the narrative: "it is noteworthy that Gilbert and associates reached for John Ruskin, the 19th Century romantic thinker, in order to name the despised opposite of quantitative Economics" (Danby 2017: 72).

On his part, M. Gilbert moved in 1951 to the OEEC, created in 1948, as Head of its Department of Economics and Statistics. The OEEC's most important tasks were to coordinate the Marshall Plan's aid among the respective national development plans, requiring "multilateral surveillance," and common concepts: despite Gilbert's vocation, generally forgotten given Richard Stone's own ubiquity on a number of duties and publishing magnitude, hence Danby's claims of his "essential" role in worldwide national account standardization.

Stone and Gilbert pioneered within the OEEC organization the "first generation" (Danby 2017: 73) of standardized statistics and national accounts frameworks, globalizing them (ibid.). On the other hand, Stone's Cambridge post at the Department of Applied Economics, OEEC, and UN, formed the basis by which a technocrat managed to sponsor and shape careers and research on British colonial accounts.

Hence, this narrative assumes the existence of flows between different borders, although in certain economic formations, the absence of a formal

set of assets framework is contradicted by IMF's *International Financial Statistics*:

Two assumptions are not only built into globally-applied national income accounting, but actively advertised and promoted by the published data: that every country is in the same way integral and complete with similar institutions, and that the relations between national economies are relatively thin and inconsequential. (Danby 2017: 74-75)

Therefore, national accounting data misses the "dependent" character between and among different economic formations. No "data concept" (Danby 2017: 75) can symbolize this "relation." As Danby emphasized, the *appearance* of national units as discrete entities was relinquished through the concept of an "abstract global space of goods and financial flows without power or politics, without alliances, antagonisms, or spheres of influence. And it appears as though it had the same internal institutional structure" (ibid.).

The mathematical example is drawn from the theoretician Jacques Polak, who starts from a simple single-country, *self-contained* "autonomous factors" (Danby 2017: 77), through which the national income and imports are determined, and then proceeding to a "world" model in "less than a page" (Danby 2017: 77). The "illegibility" of power and absence of institutional specificities generated by the "world model" posed by Polak and the Keynesian categories and national income accounting were profound. See further ahead.[7]

The worldwide data (standardized) has a particular effect: it can gauge individual "policy" successes or "failures" and, therefore, those national governments. According to Danby, hitherto the world's cartography was defined by a series of "discontinuous empires" in which "power," or international power was in plain sight:

> This fit the panoptic quality of official post-WWII international organizations, dividing the world's population into national cells and spotlighting their condition by means of statistics-gathering. The brightly lit UN General Assembly is a visual metaphor for this observed world, each formally identical nation named and fixed space. (Danby 2017: 78)

The Tropics of Discontent

Even before initiating his role as ECLAC's second Executive Secretary in 1949, Raúl Prebisch's report (*The Economic Development of Latin*

[7] Danby writes: "close relations between any particular export sector and particular foreign buyers are illegible. There is no category -no conceptual category, no measurable thing- in which the structure of the international financial system might appear. (...) the *International* market is conceptualized as a space of pure flows, a space without people or institutions, who are all tucked away inside national economies. This effect is strengthened by the way *orthodox economists* like to model markets, as efficient anonymous smoothly adjusting mechanisms to facilitate flows of goods and services and exchanges of assets" (Danby 2017: 77, my emphasis).

America and its Principal Problems),[8] was promoting the importance of "systematic research" to understand the region's economic problematic, and simultaneously reminding us of his own theoretical evolution during the second half of the 1940s. Dispatching economists from the Periphery to "study at the great universities in the United States or Europe, was important, but *insufficient,*" since one of the:

> most conspicuous faults which general economic theory suffers from, seen from the Periphery, is its false sense of universality. In truth, it could hardly be expected that economists of the great countries, embroiled by serious problems of their own, would preferentially dedicate their attention to other countries rather than the study their own. [...] However, do not misinterpret that this purpose is encouraged by an exclusive particularism. On the contrary, it can only be seen to be accomplished through a solid knowledge of those theories elaborated in the great countries, with their great wealth of common truths. We must not confuse a reflexive knowledge of the other with a mental subjection to extraneous ideas, from which we are slowly learning to be free. (Prebisch 1949b: 106, my translation)

It is through a similar guise that one should interpret Dudley Seers's condensed prose on the "special case" (Seers 1963) to describe the economics developed in the Anglo-Saxon or European universities. Simply put, it was the flip side of Prebisch's rejection of their presumption of "universality."

A "Southern perspective" on economic matters also suggests the existence of a "Northern" or Western-centric perspective, subsumed within an ever-constant power asymmetry confrontation, a political and academic struggle both within and without the "Center-Periphery" complex. Foucault's notion of discursive formations and specific enunciative modalities as product and source of the empowered social relations are implicit, if not explicit, in our argumentative logic. The premises of the argument insists that the concept of the agency, whether when it refers to the entity as an "enunciative modality," and/or "productive agent," does not suggest necessarily the category of a "human subject" as the materialization of its "acts," which also explains our efforts to use as little as possible the term "actor." In other words: agents are not always "human beings." What falls within the category of agency will depend on the context and power asymmetries: corporations, individuals, "sectors," "countries," production units, "firms," etc.

Clothed in Prebisch's words, there is no presumption that a ubiquitous "geographical" or "language" characteristic is the obligatory source, nor a guarantee of a privileged "epistemic" discursive perspective, or its putative "consistency," but it just so happened that Nietzsche's so-called "will to power" can also be an attribute of certain agents in the Periphery or

[8] Prebisch (1949b), *United Nations Department of Economic Affairs* (1950), original text in Spanish, April 1949.

regions beyond the Western-centric areas of the world. Taking up Ludwig Wittgenstein's idea about the absence of meta-discourse to guide us in reaching and understanding a precise juncture corroborates the notion that Latin American Structuralism could well have been constructed through the allocution of Shakespearean "noises."

Hence, my theoretical "bridge" building process between contrasting discursive formations, proceeds simultaneously by critique and running commentary of the work of P. Pilkington and C. Danby, Chapters 5 and 6, respectively: the former unwittingly a "Latin American Structuralist," and the latter a conscious performer not withstanding my critique.

These theoretical episodes may well have been written, as already pointed out, by means of the "clatter" of the "Shakespearean" noises, an aspect which is not eluded in our argument. Therefore, it might be useful reminding readers within the Western-centric tradition of a possible line of reasoning.

The previous discursive struggles on notions of national accounting, for instance, are perhaps one of the best illustrations of the problematical nature of those aspects necessitating replacement which the evolution of "developmentalism" in economics hoped to achieve. One possible route was to elaborate new categories *in situ*: the Prebisch-Furtado-Seers's conundrum. In the Center countries, as seen above, even before the dust of the theoretical debates on the accounting categories was cleared, Keynes was sponsoring their "transference" to colonial territories, with which to generate reliable data despite the presence of peculiar social relations where "production" and "distribution" are apparently associated by "non-market" mechanisms.

Simultaneously to "technical" accounting conundrums, potential theoretical disputes were at hand, since the story required a description and generation of alternative vocabularies to explain the specificities of those peripheral "nations." It was precisely the U.S. and Soviet Union, post-WWII antagonism, which generated certain of those theoretical opportunities. For example, it is currently unimaginable that a United Nations report would dare recommend to governments of an "under-developed country" to undertake a "land reform" (*UN Department* of *Economic* and Social *Affairs* 1951: 93).

It is worthwhile to highlight, for those whose theoretical gaze springs from the "Periphery," the theoretical problems to be discussed represent the decisive moments of the reconstruction of the "economics" vocabulary in the region (Latin America, for example), prominent among them the perspective C. Furtado, and R. Prebisch between the 1950s and the 1960s.

On the other hand, early on in his professional life, Dudley Seers perceived the existence or the potentiality of discourses questioning Western-centric thought during the 1950s:

> Similar doubts were also being expressed elsewhere, notably by Gunnar Myrdal then working on his *Asian Drama*, though it was

> not published (by Allen Lane) until 1968. What Paul Streeten called "mumbles of discontent with established categories of thought" had also been audible, in particular from Raul Prebisch and Latin American economists associated with him, but these were not taken very seriously by the profession, especially in that period. (Seers 1979: 718).

Seers also reflected on the limiting theoretical and practical aspects of "general theories like those of Keynes and Harrod-Domar model," and hoped Anglo-Saxon writers, "acquire some relativity" and "comparative attitude" (Seers in Martin and Knapp 1967: 158). At the same time, he did not jettison the construction of a more "'general theory' of development" (Seers in Martin and Knapp 1967: 223), and on this occasion the call was the need for a "Hume" or "Moore rather than a Hegel" (Seers in Martin and Knapp 1967: 158), to understand the process through which an analogous theoretical transition is constructed. He also more than flirted with the idea of understanding the undergoing evolution of economics, to comprehend its reconstruction:

> We are not even in a position to judge what has to be demolished of the old doctrine, or what can be saved and adapted for further uses. This is still somewhere late in the 'Hobson phase', or early in the 'Kahn phase', of development economics. (Seers in Martin and Knapp1967: 3)

Seers's "exploitation" (pun intended) of Keynes's own reflections in the last chapters of his *General theory...* to underscore Hobson's standing to comprehend the importance of the struggles through which theoretical transitions are produced ("rebellious" authors), and/or the use of Kahn's "multiplier model", are a good example when examining the evolution of the discursive formations. The analogy implies that:

> The 'Kahn article' may not yet have been published. A characteristic of this article is, of course, that nobody recognizes it as much, at the time; only in the 'Keynes phase' can its historical significance be appreciated. All one can safely say is that attempts to solve practical problems of development are going to teach us a great deal about processes of economic change, and the time is almost ripe for the appearance of a Keynes (though this task may be beyond the capacity of any single person). (Seers in Martin and Knapp 1967: 3)

Seers declares this having previously pointed the reader to a footnote where he says:

> the transformation now is bigger and there are a number of candidates for being considered the 'Hobson' of this generation -e.g. Myrdal, Prebisch, Singer and Nurkse. I would be inclined to nominate Prebisch, because it is a characteristic of a 'Hobson' that he does not quite realize what he is doing to the subject. Besides, Prebisch lives closer to the seismic fault from which the tremors are emanating. (Seers in Martin and Knapp 1967: 3).

It is in the context of a theoretical reunion in Manchester in 1967, centered on discussing Seers's famous text published in 1963, *The Limitations of the Special Case*, that P. Streeten's indications must be understood. Prolonging the procedure of these rhetorical analogies, he actually adds a name "Hobson-Gessell phase," and further on adds a third: "Mayor Douglas" (Seers in Martin and Knapp 1967: 66).[9] Streeten's remark about the "mumbles of discontent," commented by Seers, *seems* to imply their mutual accord and understanding that the "concepts and categories" (Seers in Martin and Knapp 1967: 158) then dominant required transformation: "We are unable to carry out the sort of reconstruction of working categories which are necessary, partly for lack of time and partly because we are ourselves held in the vice of conventional concepts" (Seers in Martin and Knapp 1967: 157-58).

Seers aimed to differentiate patterns and institutional settings, to think dynamics in distinct economies whose characteristics seem at odds with conventional economics. Kurt Martin invoking Seers's ideas indicates:

> He had suffered himself when first working in Africa from being too 'Latin American', e.g. from putting too much weight on the foreign trade bottleneck and not enough on education, though this had been a less incurable fault than being too 'Anglo-Saxon'. (Seers in Martin and Knapp 1967: 224)

But put in those terms the central theoretical conundrum is inadvertently hidden: "why particular countries of particular types of countries are exceptions" (ibid.).

It is my contention that Seers's Anglo-Saxon contemporaries did not fully grasp the "specter" which haunted his work, or as I call it "'the white man's burden' curse,"[10] the "added" term to the classic Rudyard Kipling's racist expression intends to radicalize the conundrum in question: Seers consciously bore the burden as a "curse": the task of advising governments under specific power complex asymmetries. Strictly speaking, Kipling's expression represents a technological-knowledge power regime *a la Foucault*. I believe Streeten and Richard Jolly and other colleagues misapprehended the origin of Seers's wit and conduct:

> Dudley's second phase was expressed most sharply in the negative -as a strong critique of the Brandt, Commission's report. *North-South: a Programme for Survival* stirred Dudley's ire and irony as few documents did. In his review 'Muddling morality and mutuality' [Seers 1980], Dudley tore into the Commissioners -many were his friends- for what he argued was a long list of confusions over 'mutual interests', which the Brandt report had made a central point underlying its proposals. (...) this was one of Dudley's least credible efforts, itself limited and illogical, at times bitter and sour, with little of that sense of humour

[9] In fact, Gessell forms part of Prebisch's early reads.

[10] See Guha (1997), Hindess (2001).

and ironic touch which enlivens most of Dudley's writing. Instead we have a sledgehammer being used to smash a whole report, rather than to drive home some important points of criticism. (Jolly 1989: 39)

On his part, Streeten says:

> His wit could be quite mordant. (...) on a visit to the IDS [Institute of Development Studies], discussing with him aid criteria and whether human rights should be included. I said, naively, that I was against torture. Dudley replied devastatingly: 'You've come along way, Paul'. (Streeten 1989: 27)[11]

On the other hand, this book mentions only in passing the so-called Latin American "dependency school," whether in its Marxist or alternative versions, both claiming Raúl Prebisch as its theoretical instigator; whether for better or for worse, since I don't dedicate much space to the perspective, interested English readers can easily gather the quality of the theoretical diversity by reading one of the best introductions written in English by Cristobal Kay (1989), and yet to be translated to Spanish!!! The author in question had Seers as his Ph.D. supervisor, during which Dudley Seers, religiously never once uttered a word to him in "broken" Spanish.

Let us now go back a little. Prebisch, telling accounts of having to deal with the Western-centric advisers are known to many by word of mouth, but some have in fact been published. Here describing his reunion with Jacob Viner:

> After the appearance of our first reports, one of the most illustrious professors on matters of international trade called in on over here (Jakob Viner, C. M.). Formed in the purest classic tradition, submitted to long decades of Ricardian logic, few brief weeks in Brazil were not enough to seduce him by the spectacle of industrialization which had barely initiated, if you take as the point of view the cosmic potentialities of this country. Dragging the economists of ECLAC [English acronym of CEPAL], in his execration, he condemned the Latin American industrialization, which we were advocating. He challenged also all forms of deliberate control of economic growth and guidance of international commerce. Well at least he left us a unique and positive formula of economic development: engage into agriculture and birth control! (Prebisch 1953b: 47, my translation).

To those suspicious of the suggestion, on the other side of the Atlantic, around 1963, in Seers's famous 1963 article "The Limitations of the Special Case," we encounter his usual attitude of "impatience" as he states that:

> previous generation of economists failed to cope realistically with economic fluctuations until after the depression had brought politically catastrophic results. The life cycle of each period in the development of an economic doctrine is now familiar. Some great issue of public

[11] Please see volume dedicated to his work: "Dudley Seers: His Work and Influence" (Toye 1989), *IDS Bulletin* 20(3).

> economic policy appears. At first, economists at high places refuse to admit that this is any concern of the profession. (Seers 1963: 77)

At the end of the sentence, Seers interrupts the reader by adding a footnote:

> The story is told in Latin America of a Chilean graduate student who stated, in answer to a question by a very eminent London professor, that he wanted to specialize in economics of development, 'Oh!' said the professor. 'What economics is that?' This was in the 1950's! (Seers 1963: 77)

The anecdote must have been told to Seers while he was working in ECLAC, during the 1960s in Santiago de Chile by the student in question. But the reader is left none the wiser as to the tempestuous nature of the so-called "conversation" or as to the identity of the professor and student in 1954. Today we know who those parties were Osvaldo Sunkel and Lionel Robbins. In fact, Sunkel was not allowed to sit during the whole exchange with the English professor. The retort by Robbins, who recently had polished the Mont Pelerin Society manifesto (Mirowski 2009), stunned Sunkel, never to be forgotten, when the professor, "red faced," "answered me 'angrily.' He said, what you have to do is to study demography; development is just merely a problem of population growth!" (Franco 2013: 70).

It's noteworthy, if only in passing, that Osvaldo Sunkel and Anibal Pinto, both functionaries at ECLAC in 1966, interviewed Arnold C. Harberger (Sunkel 1966), who by then was already a Mont Pelerin Society affiliate and professor both in the United States and Chile. The content of the talk seems to be one of the themes that ensues in my book: the obstacles of studying "Latin American Structuralism" in Anglo-Saxon Universities. Then the "Chicago Boys" had not yet taken hold of economics in Chile, which occurred when Pinochet's military dictatorship ruled the country. It is the extraordinarily restrained vocabulary of Harberger in the 1966 interview which I want to emphasize, which suddenly, during Pinochet's regime, transformed itself into a totally disheveled, slapdash discourse, to say the least:

> When 'good economics' was just coming to Latin American (sic) in the late 1950s, the path was far from easy. In the way stood a bulwark of doctrinaire isolationism and protectionism: the 'old' ECLA (...) which actively sponsored and fostered the interventionist, statist, illiberal policies of the era. That was an era of fierce debate between the so-called structuralist and monetarist schools, with the former counting ECLAC as one of its principal bastions. I find it hard, even from today's vantage point, to define precisely what structuralism was. It did not proceed via rigorous analysis from the ground up, as it were. Rather, it referred vaguely to 'inelasticities' of various types-of foreign demand for raw materials, of domestic supply of agricultural products, and so on-that somehow stood in the way of progress, made inflation

almost inevitable (even, to some, desirable), and made widespread state intervention a sensible 'solution' to Latin American problems. (Harberger 1995: 306-307)

Indeed, in a posthumously published interview, which was recorded in 1985 in English, Prebisch reiterates the convoluted form of the power asymmetry and attitude in question, facing David Pollock, the interviewer, his collaborator and assistant during the 1960s, while heading the UNCTAD:

> Because of second and third-hand reading. And because there is a prejudice that probably you have seen, [as] a member of a northern university. Really, David, there is a certain arrogance and disparagement. They don't take us seriously. I'm sure that in Harvard they don't take us seriously. We are second-class economists, or even third class. We are underdeveloped economists. (Pollock 2001)

Today one of the greatest stats cited in Google, enfolds the terms (in any language), "Prebisch-Singer," or "Singer-Prebisch" thesis. The notion is related to the so-called "deterioration terms of trade" of developing countries vis-à-vis "industrial" countries, or "Center-Periphery" in Prebisch terms; further ahead we will return to this theme. At this moment, what I want to underline is the insistence to establish a monopoly by Western-centric scholars on the origin and source of its theoretical elaboration.

For example, R. Jolly (2008), claims Prebisch should come "second" to Singer given his 1949 publication (Post-War Price Relations Between Underdeveloped and Industrialized Countries), despite the fact that Prebisch was writing theoretically on the subject since the early 1930s!:

> More properly called the Singer-Prebisch thesis after the careful detective work of John Toye and Richard Toye showed that, strictly speaking, Hans Singer's work preceded that of Prebisch, strictly speaking, Hans Singer's work preceded that of Prebisch. (Jolly 2008: 65, footnote number 50)

Disputing who was first to the post is not crucial in our argument, since Prebisch's examination focuses on its style of theoretical development and the importance of the notion of *power asymmetries* to explain the "deterioration of the terms of trade" in question, which in countless accounts, in Spanish or English alike, seem to be misrecognized, becoming problematical if Centered around the notion of the so-called price demand "elasticities disparities" between Center and Periphery countries.

Recovering the notion of a heterogenous complex (consequence of the power asymmetries) among and between diverse agents, Center and Periphery alike, opens up the possibility to propound social arrangements that can be made more amenable with a perspective that considers the aspects of the environment and the sustainability process through the "integrated" management of the natural resources. In turn, that means that there can be no

"general" strategy, given the presumption of the antagonisms of the diverse and heterogenous agents (countries, regions, productive units). Hence, the notion of "possessing in separation" certain of the conditions of production becomes central to explain the heterogeneous character of agents and the limits of the political strategies to transform the social relations. Unlike Marxism, Latin American Structuralism's idea of antagonism and notion of the heterogenous characteristics of the agents implies examining the specific forms that social relations take: there is no general "mode of production" and, therefore, no necessary "productive forces" that may or may not "correspond" to specific social relations: in more philosophical terms, there is no general form of being given its diverse set of social and historical conditions.[12]

[12] Except Chapter 6 *All That Is Solid Does Not Necessarily Melt Into Air*, contents of the chapters have been published previously in part or totally. Chapter 1 *A Southern Perspective on Development Studies: Contributions from Latin America* in *Cinta de Moebio* 58: 26-46. Chapter 2 *Lord Keynes después de su muerte según Raúl Prebisch* in *Estudios Críticos del Desarrollo* 6(9). Chapter 3 *Celso Furtado and Development: A Brief Outline (1950-2004)* in *Celso Furtado: un retrato intelectual,* Universidad Autónoma de la Ciudad de México. Chapter 4 *Theoretical Misrecognitions as the Source of Development Theory Déjà Vu* in H. Márquez, R. Soto, E. Roberto an Záyago (coords.), *El Desarrollo Perdido. Avatares del Capitalismo Neoliberal en Tiempos de Crisis*. Editorial Miguel Angel Porrúa. Chapter 5 *How Economics Forgot Power* in *Estudios Regionales en Economía, Población y Desarrollo* 53. I am indebted to Michael O'Brien whose help and suggestions to improve the manuscript stretched well beyond the call of duty of family friendship.

Chapter 1

A Southern Perspective on Development Studies: Contributions from Latin America

Economic science is universal, like mathematics. Economic science is not Pampa, Guaraní or Tehuelche. If its applicable in Europe, in America too (quoted in Jimena Caravaca 2011: 35).

As the epigraph goes, in the last decade of the 19th Century, the national congress in Argentina witnessed the then Minister of the Economy defending the idea that the government applied policies sustained by principles of universal validity. The political confrontation brought to light the notion that perhaps those "knowledges" coming from afar are not as consistent as they make out to be, and that local theorizations were necessary to "discipline" the "science" in question. The following chapter stresses the idea that a relatively autochthonous discourse on development was constructed in the Latin American region, which can be defined as the "Center-Periphery" perspective initially developed by Raúl Prebisch (1944b, 1944c, 1948, 1949, 1949a). Ultimately, it is a perspective that examines the power asymmetries that constitute social relations, within and between regions and countries, therefore the Center-Periphery couple is not necessarily a "geographical" peculiarity; it denotes some mechanism of exclusion and/or exploitation, within and between communities. At the (exchange) knowledge continuum the conception of power asymmetries can be made to look similar to Connell's idea of a "Southern theory" (Connell 2007, Lander 2000).[1] The rise of the "discursive formation" (Foucault 1972) in question first entailed a deconstruction-reconstruction of what was accepted as social science (economics, sociology, political theory, anthropology) in the Western-centric[2] universities and vision of the world. In other words, it required a decolonizing conceptual strategy, creating a vocabulary not only consistent with the new "objects" that it should explain, but also, in its aftermath, showing that the theoretical inadequacies of the Western-centric discourses were unsustainable even within their own perspective and universe, which it was supposedly to investigate.

This aspect has to be mentioned because initially, after World War II, there was the belief that economics, for example, could play, as it were, two different "scientific" games; one in which its categories were congruent

[1] We generalize Connell's notion of the "colonial" asymmetries: "Knowledge about a colonized society is acquired by an author from the metropole and deployed in a metropolitan debate. Debates among the colonized are ignored, the intellectuals of colonized societies are unreferenced, and social process is analyzed in an ethnographic time-warp" (Connell 2007: 44).

[2] Origin of the Anglo-Saxon or Eurocentric discourses.

and "coherent" for "developed economies," and, simultaneously, another in which, certain concepts of the dominant literature in economics were "offside" given certain institutional and organizing qualities of those countries pointed as "underdeveloped," and hence requiring and admitting the elaboration of differing and distinct categories. In economics, this divergent evolution in their respective objects and vocabulary came abruptly to an end by the early 1980s, in institutions and countries, "Center" and "Periphery" alike, which signaled the return of the hegemony of neoclassical thought.[3]

But two decades previously, by the mid-1960s, the "Center-Periphery" perspective itself would evolve into an intertwined stream of two ideas, in which some of its proponents would change theoretical camps, in more than one occasion during the following years. One was denominated "Latin American Structuralism" and the other the "Dependency Approach". This distinction is important because the rise of neoliberalism hegemony early in the 1980s was the product of its criticism of certain development strategies in the region, conforming a strange alliance with the "dependency" approach vis-à-vis Latin American Structuralism.

Before describing the evolution of the Latin American Structuralism theoretical perspective and some of the personalities involved, it is important to mention certain political and institutional transformations in the aftermath of World War II (following section "It's a Hard Chilliness A-Gonna Fall"), which made possible the posing of certain questions hitherto blocked and also the appearance of the Latin American discourse or the "will to power" in question.[4] In the final segment of the chapter (Under the Sweltering Heat of the "Washington Consensus"), we attempt to elaborate a brief synthesis of the consequences and limitations of those policies and contest its hegemonic presence, with some descriptions of the economic and social tendencies in the region that should help focus on alternative *political* strategies.

It's a Hard Chilliness A-Gonna Fall

The political and intellectual undercurrents that drove the power Centers of the world after World War II are not recognizable today, given the relatively "multi-polar" prearrangements of domination, despite the United States virtual hegemony. But at that juncture it seemed imminent the face-to-face confrontation between the United States and the Soviet Union.

The context of the Cold War post-WWII, and the decolonization movements of liberation led to the emergence of a host of voices from "Third World" countries looking to make themselves heard on the international stage, especially in the United Nations.

The new power Center and guardian of the capitalist ensemble, the United States of America, which had arisen from the demise of Great Britain, sought

[3] For the Anglo-Saxon story, see A. O. Hirschman's classic article (1981).
[4] Escobar (1995), Esteva (1992), Mallorquin (1998).

new forms with which to organize the world economy. First came the founding of new rules for the flow of trade in general. Retrospectively, the Bretton Woods (Helleiner 2014) arrangements on the one hand, and the Marshall Plan for Europe on the other, intended then as the basis for the reconstruction of a war-devastated Europe, formed part of the same process. If great efforts could be undertaken to "promote higher living standards," as the UN declared, why not develop specific means to undertake its implementation? This view led to the setting up of the Economic Commission for Europe and for Asia; and it was only a matter of time before other regions started creating similar demands and projects (Toye J., Toye R. 2004).

Within this scenario, a well-organized group of men in Latin America, talented and confident in their specific fields and backed by their respective governments, managed to present a project for the creation of an Economic Commission for Latin America, or ECLAC (Comisión Económica para América Latina, CEPAL acronym in Spanish)[5]. Their diplomatic lobbying, with the help of some of their Western European counterparts was very successful, given the clear opposition to it by the United States government that had other plans: an organization, headed by it within the Organization of American States (OAS). Thus, by 1947, ECLAC had come to life for a three-year trial period, starting in 1948. Equally, it must be remembered that before ECLAC's confirmation in 1951 as part of the United Nations Organization family, the United States government hounded its existence until it was finally defeated by the alliance of the Latin American governments. One should bear in mind that it was Getulio Vargas's ultimate push that finally made it possible to set up ECLAC, contrary to the wishes of the United States (Santa Cruz 1984, Magariños 1991, Furtado 1985, Mallorquin 2010a).

By January 20th, 1949, the countries of the region had been consigned among those "underdeveloped areas" by the inaugurating speech of the newly elected President of the United States of America, Harry S. Truman (Truman 1949). He went on to promise help to develop those "underdeveloped" nations which advocated "freedom" and "liberty." A couple of months later that year appeared Prebisch's (1949b) report to (ECLAC): *The Economic Development of Latin America and its Principal Problems*, hence forward becoming a classic in the Latin American social sciences literature on the prognosis of the "Periphery's"[6] "development" and "growth"[7] vis-à-vis the "Center." The text, branded by Hirschman (1981) since its inception as the Latin American "manifesto" for development, flourished worldwide in most languages.

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[5] Later, it will include "the Caribbean" as Economic Commission for Latin America and the Caribbean.

[6] See, for example E. Iglesias's (Executive Director of ECLAC in the 1990's) recollections of the event during his university days in Uruguay (Dosman 2006).

[7] Symptomatically, Prebisch rarely uttered the term "underdevelopment" ("subdesarrollo") until the 1970s; he used "developing" economies, in process of "development."

Therefore, "development" is a theoretical construct post-WWII. Before World War I, Western-centrism economic and sociological discourse reigned supreme: it was unashamedly teleological when it referred to those "backwards areas." Furthermore, Arndt (1981) shows that the notion of "economic development" in those areas was seen in terms of opening and "exploiting natural resources." Those notions cannot be made easily harmonious with "well-being of the population" and "growth per capita" generated in the 1930s and 1940s with the construction of the national incomes accounts and "Keynesian" macroeconomic models (Danby 2017). As Heilbroner (1963), Love (1996), and Arndt (1987) insisted, before World War II little was written on the "backwards areas" that was not thought in terms of a "stage" that had been superseded by the "industrial" economies.

Although Prebisch was not ECLAC's Secretary General until 1949, his important role in its recognition and creation, a product of his work style and passion, which he instilled at the ECLAC, can never be exaggerated (Hodara 1987, Dosman 2008). In terms of his ideas on economic development, speaking in theoretical terms, he can truly be considered a pioneer and progenitor of a long-lasting tradition in this field in Latin America, if not in most "Third World" countries. Part of his legacy relates to his belief and struggle for the creation of an institution representing those countries that had come to specialize in the production of primary or raw materials in general, worldwide and/or particularly in Latin America, which would promote and monitor their development. His share of élan in the fulfilment of the ECLAC project could be seen once again during the 1960s, when he left the organization to become Secretary General of the UNCTAD and subsequently head of *The Latin American Institute of Social and Economic Planification* (ILPES), a project and proposal of his own making in 1962 whilst still at ECLAC. During the 1940s and 1950s in many Latin American countries, universities created new Economic and Sociology Departments driven by the political movements and governments purporting to sponsor growth and "development" processes. The rise and decline of the perspective to be described below can also be seen in transformations of the Economic and Sociology Departments in the universities in the region between the 1950s and 1990s (Montecinos 2009). The description of the development of the region and political milieu of the Latin American of post-WWII requires we trace some of the ideas, posing them as "ideal types" (Weber), given the ample fertile tradition in Spanish and Portuguese of the discourses in question mentioning certain personalities within the Latin American structuralist tradition (Prebisch, Furtado) and "dependency approach" (Cardoso, Marini).[8]

[8] See also Kay's note number 5 and 8 of Chapter 6 of his book (Kay 1989: 246). Ironically, up to date, the best account is a book written in English by Cristobal Kay. Kay's PhD dissertation director was D. Seers; Kay was also alumni to O. Sunkel's university classes. Unfortunately, given the language "barrier" and the power asymmetries among and within the so-called "knowledge communities", the "dependency approach" in Western-centric universities is taught through the vocabulary of Gunder Frank's books (1966, 1967). See also Palma (1978), Love (1990).

Latin American Structuralism

By the second half of the 1940s, the pre-eminence of Keynes's work on the possibility of resolving the "cyclical" nature of capitalism through planning or demand management cannot be put into doubt. Both his name and his ideas were synonymous with a "revolution" in economic science at academic institutions all over the world. The fruitful results of his ideas over time and space, and in practical terms, especially in Latin America during the early 1930s, were soon to be recovered to argue that Western-centric economic discourse has limitations, and that the Keynesian categories had to be transformed. This task was soon undertaken by R. Prebisch, J. F. Noyola, V. Urquidi, R. Boti, A. Pinto, O. Sunkel, D. Seers, C. Furtado, to name but a few.

On the other hand, "economic science" could not go further than reiterate its new-fangled categories when thinking of the Periphery or the "backward countries." There was a brutal silence and the absence of a specific theoretical discourse about countries that were plainly not "industrialized." The emergence of the notion of "underdeveloped economies," following World War II, which singled out late-comers to the growing industrialization process or raw material producer countries, was the product of a crucial theoretical and political battle fought by institutions like the ECLAC. The posing of a process of industrialization and transformations of the Periphery (fiscal and land reform, modernization of its state apparatuses) became the Center piece of the concerns by Prebisch and ECLAC.

During the mid-1940s, Prebisch himself was very reticent to adopt the so-called "Keynesian revolution" vocabulary (examined in the next chapter), and was very critical of its work as well as much of economic science (Prebisch 1946, 1947, 1948, 1949a).[9]

The asymmetric mechanism of distribution of the productivity gains or the "fruits of technical progress," between the Center and the Periphery in Prebisch's argument has nothing to do with "imperialism" whatsoever.[10] It just so happened that during "the upward phase" of the cycle, prices of raw materials of the Periphery rose at a much faster pace than the correlative products of the Center, while in the down swing phase prices of raw materials declined at a much faster rate than industrial products and therefore the new market "clearing" price of primary products found itself requiring a superior quantum of sales of its products to buy a similar proportion of manufactured goods during the next cycle. Whether it was a question of differing demand-price "elasticity" for their respective products and/or because the Center's better organized homogeneous labor associations managed to defend

[9] See next chapter for a detailed analysis of Prebisch's ideas for the period 1943-1949.
[10] The notion does not exclude its presence. Many contemporary commentators, without acknowledgement are really conflating the Rumanian Mihail Manoilescu's (Love 1996, 2011) notion of "unequal exchange," with Prebisch's concept of the deterioration of the "terms of trade." Notice that the notion of "fruits of technical progress" is an appropriation by Prebisch of a category found in the work of J. A. Schumpeter, transformed into a different meaning.

its income level better than the respective organizations of Periphery, a deterioration of the terms of exchange ensued, which in Prebisch's eyes did not lead necessarily to categorize the overall mechanism as "unequal" (for a more detailed explanation see chapters 2 and 5):[11]

> 1) Since 1946, Prebisch had been arguing that the notion of "equilibrium" was a mystical notion.
>
> 2) Therefore, the price mechanism and thus money did not "represent" anything external to itself other than being a unit of account, which explains his condemnation as "metaphysical" all those discussions about "value" in the early days of Marginalism or Classical Economy as labor content ("use value" and "exchange value" and so on).

Prebisch argued that there was an intrinsic constitutive reason which describes the life existence of the cycle: *Time* is the culprit in question, and more specifically "time disparities," between the Center and the Periphery. Differing time "phases" between the productive and circulatory circuits; as will be argued further ahead, it also applies within and between distinct capitals (heterogeneity).

Classical and neoclassical economics eluded this issue by introducing money as a "vicarious"[12] entity to restore a balance between the real and financial levels of the economy. But for Prebisch, there is a systematic asynchrony between the diverse productive cycles and the financial-money cycle (a time disparity), although "money" is reintroduced post factum in the orthodox traditional accounts of the economy and history of thought. The bank rates managed by the Bank of England in the first "cyclical Center" (Great Britain) would attract and/or expel gold during the fluctuating periods of the cycle, leaving to the Periphery the task of adjusting its overall internal and external accounts to this "untimely" movement. It is the time disparities that cause the systematic wave like ("undulatory") motions of capitalism. At the *First Meeting of Technicians on Central Banking Problems of the American Continent*, Prebisch stated:

> I find myself disturbed by the thesis that free competition leads to general equilibrium and to the most adequate distribution of

[11] Simultaneously, Prebisch mentions notions such as "disparate demand elasticities" and power asymmetries as the source of the deterioration in question. It is my contention throughout this book that the notion of "elasticities" in fact only clouds the real political and theoretical issue: power asymmetries within and between agents: countries, regions, distinct productive sectors, and labor segments. Hopefully as the reader prolongs their journey through the book, it will be made clearer why I leave for later the explanation of the use the term "class," since it pertains to a distinct theoretical construction which supersedes certain aspects of Marxism itself, related to the notion of "heterogeneity," a theoretical consequence of Latin American Structuralist thought. See further ahead Chapter "All That Is Solid Does Not Necessarily Melt Into Air."

[12] On the notion of "vicariousness," see Maffeo Pantaleoni Pure Economics (1957, English version, originally 1889), third part; Prebisch's teacher, Roque Gondra, translated the 1889 Italian version of the text during 1916, although presumably Prebisch read the text in Italian.

> the resources and income within the community. I do not see any correspondence between these abstract propositions and the reality of the economic world. (1946: 227)

"Capitalism" was essentially unstable, thus the importance of money and fiscal policies. As Prebisch observed:

> I have found only but wave motions, a succession of ascendant and descendant wave motions. (…) The cycle (…), in the Center as much as in the Periphery, is the characteristic form by which the economy grows –the capitalist economy has not had another form of growing than the cyclical form.[13] (1946: 226-227)

We could also see how Prebisch appropriated *some* of Pareto's work. As Pareto explained:

> In reality, equilibrium is never reached, since, as one approaches it, it alters continually because the technical and economic conditions of production modify themselves. The real state is, therefore, that of continued oscillation around a central equilibrium point, which itself moves. (Pareto cited in Mclure 2001: 76)

It must be said, however, that Prebisch did not make explicit these theoretical considerations at ECLAC.[14] He was adamant that his purpose there was to produce practical and well-organized policies and technical advice to development projects:

> We have presented at different sessions of the Commission a flow, at times abundant of documents in which the economic phenomena of Latin American countries are analyzed, interpreted, ordered; studies that could be judged as eminently theoretical. Gentlemen, it's true that reality persuades us more so that practical action should have a theoretical base, be it in economic matters as in any other field of knowledge, but to conclude from this that the permanent organization of ECLAC is an instrument of theoretical analysis would be a serious, a very *serious* error because it would mean distancing oneself by the path traced by this Commission in successive meetings. The ECLAC organization is not a theoretical instrument, not a body of scientific investigation, but rather it is inspired by eminently practical purposes,

[13] That is "a continuous succession of disequilibriums'" (Prebisch 1948a, in Prebisch 1991c: 499, my emphasis).

[14] And yet Prebisch could not help himself. In 1953, after many recognized economists of the "North" from Western-centric universities visited Brazil (G. Harbeler, J. Viner, L. Robbins) with the aim to combat and counter ECLAC's ascendancy, E. Gudin (1953) wrote a series of articles in O Correio Da Manha with the title: "The Mystical Planification," to which Prebisch responded with: "The Spontaneous Mystical Equilibrium of the Economy" (Prebisch 1953a): "its proof that Dr. Gudin continues to believe in the tendency towards equilibrium, inherent in the economic system, when perturbing elements are not introduced in the economy. I don't believe in all of that. The cycle is the typical form of growth of the capitalist economy, that is to say, an uninterrupted succession of disequilibriums."

> objectives that have been defined and reached, perhaps, more clearly at the Conference in Mexico (...) ECLAC as an organization of international action (...) can examine those forces that act deep in the womb of the economy of the Latin American countries (...) (and) find a solution to our immediate problems (...) determining the technical necessities of the countries (...) the necessities of investment of capital; studies of the techniques of investment programs (...) contribute to the formulation of policies of development; and (...) training economists in problems of development. (Prebisch 1952: 24-25, my emphasis)

Prebisch's reminder of ECLAC's mission and reprimand represent just one of several difficult episodes at the organization, for Celso Furtado in particular (see chapter on Celso Furtado), as a consequence of his first book *The Brazilian Economy: A Contribution to the Analysis of its Development* (1954) dedicated to Prebisch.[15] The role of the "multiplier" and the "accelerator" were crucial to many of the calculations that would be undertaken to postulate specific rates of growth. The recommendations towards a "full employment" policy admitted that the economy could not be seen as a self-regulatory entity. Fiscal policies and management of interest rates as well as budgetary deficits were part of a process aimed at maintaining a certain level of employment and income. What came to be known as demand-managed economies gave clear indications of the results that could be accomplished through the promotion of economic "growth," well above the expectations of "market forces," in spite of the downward undulations and "cyclical" nature of capitalism.

Prebisch's ideas, and later those of Furtado, opened up a vast uncharted theoretical landscape, which henceforth would be mapped by means of new categories which would incorporate planning as one of the methods to induce a programmed process of development. Since the 1930s, Prebisch had been experimenting with great difficulty and not much success with various explanations to account for Argentina's topsy-turvy economic development, including those that took their starting point from conventional economic categories: the cyclical notions of capitalism and the "Gold Standard" were parameters that left much to be desired, and could only be fitted to Argentina's experience through an unquenchable violation of the facts (Prebisch 1944).

By 1947, Prebisch had initiated a theoretical perspective that would culminate in a specific discourse in reference to the so-called "primary goods producer" countries or the Periphery of capitalism. In other words, he thought that what was needed to address the "Periphery's" problems, could not be deduced from Keynesian and/or neoclassical models of development. It was therefore paramount to differentiate the raw material producing countries (the Periphery) *vis-à-vis* the "Center" or industrialized nations. He was arguing against the plainly "false" claims of "universality" of the economic discourse hegemonic at that time, which in the last instance assumed that the

[15] For more details see the chapter "Celso Furtado and Development: A Brief Outline (1950-2004)."

countries of the Periphery should undergo similar structural transformations during their development process as those that the industrialized countries had undertaken in the past, adjusting themselves to world economic forces; a concept of history which L. Althusser (1969), in a polite and paradoxical manner has termed as "future anterior."[16]

Under this scheme of things, the "backward economies" had to adapt themselves to an international trading organization that blessed its relative abundance of factors of production. There arose a version of an international structure of trade, which reinforced the hitherto international division of labor: the Periphery had to specialize in the production of raw and primary products, and the Center had to concentrate on the production of manufactured products.

These countries were supposed to use those "factors of production" in relative abundance, and thus cheaper, to produce specific goods. Accordingly, there was a "comparative advantage" (no doubt in static terms) that favored some countries to concentrate on the production of certain products that required diverse intensities of capital and/or labor. The surplus production would form part of the trade pattern that would maximize the overall growth and earnings of respective economies.

Today's literature has been evaluating the "robustness" of what has become known as the Prebisch-Singer thesis (Prebisch 1949b, Singer 1949),[17] although Prebisch had been showing statistically the "worsening terms of trade" or "worsening price relations" since the 1930s for Argentina. It seems that those countries that had actually followed the specialization path in their trade relations, and had accordingly adjusted their economies to the cyclical growth process of capitalism, found themselves, in the long run, in a worsening spiral situation. If, as he argued, the diffusion of the fruits of technological progress should have favored the Periphery, given its lower productive or technological capacity/intensity, so it should have manifested itself in lower price levels for manufactured goods imported. But the international price index revealed otherwise; this by itself did not prove, nor explained, what came to be known as the Prebisch/Singer thesis of the "deterioration[18] in terms of trade" of the Periphery *vis-à-vis* the industrialized

[16] Althusser (1969) insisted that the past should not be read in terms of the present, a "future anterior"; Marx's Capital is a theoretical product that repudiated his "Hegelian" days.

[17] According to Jolly, it should be more "properly called the Singer-Prebisch thesis after the careful detective work of John Toye and Richard Toye showed that, strictly speaking, Hans Singer's work preceded that of Prebisch" (Jolly 2008: 65).

[18] The presentation of Prebisch's ideas can be followed in chapters 1 and 2, which take into account his theoretical evolution in much more detail on various aspects, making the reading of them once again an important task in the Periphery and Center alike. For the best unsurpassed up to date interpretation, see Rodriguez (1980). For example, the narrative offers two versions of the thesis on the deterioration of the terms of trade, the "cyclical" and the "accountable" one. But my own contention is that those versions are not separable, only at the cost of making indefensible Prebisch's theory of prices-value.

Centers. What was claimed was that after the continuum repetitive cycle, the Periphery, besides not being able to hold on to its own "fruits of technological progress," also lost them through the downward pressure that was exerted on the prices of its goods.

The Periphery's deterioration, in terms of trade *vis-à-vis* the industrial nations, was due to the existence of a structural asymmetric "elasticity" price demand for their respective products. Given the power asymmetries in question, the Center managed to preserve its price and cost levels, even, and despite the downswing in the cyclical process. It is true, as Prebisch argued, that the gains (prices) in primary products during the upswing rose at a much faster pace than their counterparts at the Center, but it is also historically correct that during the downswing, they declined and lost much more than what they had attained previously. The so-called debate on the "strange persistence of the terms of trade," and the proofs of its "deterioration" or otherwise, ever since its inception (Powelson 1977, Torres González 2010; 2006, Ocampo and Parra 2007, Vernengo and Caldentey 2010, Ellsworth 1956), despite many of its authors contentions, disregards the main contention of Latin American Structuralism, which was to question the idea that the "international division of labor" is a "natural" phenomenon. In other words, the conundrum epitomizes one among other geographical divisions, which represents the presence of power asymmetries, within and between different economic formations, countries, regions, and periods, and, therefore, not an insurmountable iron law. The absence of a "worsening" tendency of the terms of trade was not an oversight by the perspective in question: quite the contrary, it helped to underline that contingent power asymmetries should and could be changed, explaining the importance of the political strategies for the structural transformations.

On the other hand, the name Prebisch/Singer or in the inverse order, has become a worldwide academic and google phenomenon, when the so-called "deterioration terms of trade" is written in any research engine, and yet Prebisch had already started writing on the subject well before Singer's 1949 text *Postwar Price Relations Between Underdeveloped and Industrialized Countries*. In 1934, Prebisch was using a different vocabulary: Argentina presented a "*worsening* of its international exchange terms" (Prebisch 1934; 189, my emphasis).[19]

After the appearance of various texts (Prebisch 1949b, 1949c, 1951), where Prebisch presents these aspects in detailed fashion, during lectures on October 1951 to the *Training Center of Latin American in Programs and Agricultural Projects and Related Subjects*, he explicitly denounces the then misinterpretation of his posture:

> I was made responsible of having formulated an immanent law of the process of economic development by which the prices of primary

[19] "empeoramiento en los términos del intercambio comercial".

> products tend to depreciate in relative terms with respect to those of industrial products. I have not formulated any sort of such immanent law, but I simply called attention to the phenomenon that has occurred in a determinate period of time under the pressure of certain forces. We don't know what will occur in the future, it depends on a series of factors. (Prebisch 1951b: 6-7).[20]

Another aspect that formed part of the explanation of Argentina's "*worsening* of its international exchange terms," had to do with the differing import and export coefficients, between the trading entities; previous to the great crisis, the then hegemonic cyclical Center, the British Empire, had what can be called a relatively high import coefficient with respect to what was going to happen to the "world economy" once the USA took the hegemonic role during the interregnum of the peace before World War II.

To preserve the hitherto level of export earnings, the Periphery had to increase the quantum of its exports, intensifying its productive capacity, which in turn increased its demand for imported goods (semi-manufactured and manufactured), constraining the diversification of its economy. Thus, every cycle saw the imposition of a tendency that presented itself as the deterioration of the Periphery's terms of trade with all the subsequent negative consequences to its external balance ("disequilibrium"). The search for an elusive "equilibrium" meant a lower rate of investment, higher levels of savings, and a reduced capacity to receive foreign credits and therefore overseas capital. This had to be resolved by attracting foreign capital through an internal deflationary process, all of which stalled the growth of the economy.

The growth of income in the Center was not reflected in an equally proportionate increase in its demand for products or goods from the Periphery. On the contrary, a whole series of substitutes and "demand" schedules appeared for other, and more elaborated types of goods, which for the Periphery meant a reduction in "demand" for its goods. The Periphery's growth was therefore inhibited by internal and external disequilibrium given its lower capacity for imports, which in turn explained its stop-go characteristics. Modern literature presumes to have resuscitated this aspect of the *power asymmetries* phenomenon under the Thirwall thesis of "balance

[20] "Problemas del Desarrollo Económico en América Latina," Third Conference, October 25th, 1951. Spanish readers should have known better, English readers on the other hand, had to deal with a relatively shabby translation of 1949c and 1951. As a rule, the United Nations documents translate them into English and French. ("Crecimiento, Desequilibrio y Disparidades: Interpretación del Proceso de Desarrollo Económico" in: Estudio Económico de América Latina, 1949 - E/CN.12/164/Rev.1 – 1949c and the 1951 Problemas Teóricos y Prácticos del Crecimiento Económico, CEPAL, México, 28 mayo E/CN.12/221. On the other hand, the classic text of 1949b El Desarrollo Económico de la America Latina y Sus Principales Problemas E/CN.12/89 (May), under a very close scrutiny by the U.S. government fared relatively better in English. Perhaps Prebisch, given the load of work and strain under which he was working did not check the translations.

of payments" (Boianosvky and Solis 2014) constraints in a growing economy, converting it into a problem of price-income demand elasticities disparities between different economic formations. For Prebisch, the problem was not the "absolute export earnings" decline, but rather to what extent they generated internally the appearance of sectors whose "productivity" was higher than those concentrating on exports. And given the historically relatively low "import coefficient" of the United States economy, an "inward drive" development seemed the only practical option for the Periphery.

Thus, all manifestations of the Periphery's erratic growth process throughout the first half of the 20th century, largely based on the external demand for its goods, pointed towards a policy that required a sponsored process of internal productive diversification, which in the last instance meant the industrialization and the structural transformations and social reforms of these peripheral countries: a change in the social and technical division of labor. Simply put, the interpretation of Prebisch that concentrates its reading of the 1949 text as only a debate about "industrialization" loses a crucial piece of Prebisch's vision; he clearly states that the "industrialization has a *social purpose*" (Prebisch 1949b: 139) and requires an "adequate social legislation" (Prebisch 1949b: 101).

In Prebisch's proposal, a "programmed" process of industrialization would in turn allow for the absorption of underemployed labor or those displaced from less productive sectors. The employment of labor in the secondary and tertiary sectors would secure a higher level of employment, which would in turn destroy the social and political forces which kept wages down that reinforced the life of old quasi "feudalistic" relations in agriculture, with low costs and extensive methods of land use for production of raw or primary products in many countries of the region. The industrialization process would substitute some imports, changing its *composition*, and creating a mechanism to hold on to some of the fruits of the technological progress. A more diversified economy presumes higher factor "prices," which in the long run could be the basis for the export of industrial manufactured goods.

Prebisch also sponsored a broader common market arrangement (Briceño 2010), with some important early accomplishments of the strategy during the early 1960s in Central Latin America, similar to today's regional agreements in Latin America, which would facilitate the lowering of costs and the use of ample economies of scale for new industrial sectors. Initially, some industries would produce some goods at higher prices than those in international markets, but as the industrialization argument runs, in the long run those "Ricardian losses" (Prebisch's expression) were a positive element in the tradeoff between having labor employed in industrial activities or importing cheaper products, which through the multiplier effects would generate incomes and demand internally. Besides creating a more "homogeneous" economic base, the substitution of imports with local production

-industrialization-, would also enable a better control of the economy during cyclical downturns. In this sense, programming the rate of growth and industrialization was seen as a way to help "market forces," not stifle them, as most neoclassical or neo-liberal misinterpretations of Prebisch claimed. The same process of reforms to transform land possession meant the creation of smaller capitalized productive units generating economic and political forces to contest the hegemonic conservative "haciendas" sector, economically and politically, giving life to "markets." Later on, we will return to this aspect of Latin American Structuralism, but it's worthwhile to underline that the "dependency approach" perceived from its inception these political features which obeyed great part of its criticisms of Latin American Structuralism.

To counteract these policies during the early years of the 1950s we can observe a series of "academic visits" to Latin America by members of the orthodoxy from the "North," among them Jacob Viner, by then already a member of the *Mont-Pelerin Society*[21] who in the words of Prebisch had the "sagacity," as mentioned previously, to recommend demographic studies instead of economic development policies.

Simultaneously, during the 1940s and 1950s, Brazil, under the sway of strong nationalist social forces, became everything that the so-called "ideology of developmentalism" represented. The political forces headed by Vargas and a large number of institutions like the Superior Institute of Brazilian Studies (ISEB) pushed the industrialization process into most of the plans they had a chance to come up with, culminating with Juscelino Kubitschek's ("Targets Plan") economic plans.

After the war, the National Bank of Economic Development (BNDE) was founded and soon made agreements with the ECLAC, and Furtado's involvement, to undertake many development projects. The Joint American and Brazilian Commission, which was formed to enhance the industrialization process, had Furtado as its Director. Brazil became, in the first half of the 1950s, a theoretical paradise for discussing and experimenting on the theme of "development."[22] Most of the leading exponents, G. Myrdal, R. Nurkse (1953), of a full-speed-ahead-towards-industrialization policy and critics, J. Viner (University of Chicago) and L. Robbins (London School of Economics), the structuralist's terror, visited the country during that time and discussed the topic.

Furtado (1952) was to establish a specific debate with Nurkse (1953) on the issue of the size or otherwise of the market as a limit to the capitalization and development process. More on Furtado's involvement in this process can be seen in the third chapter, here it is enough a summary. Furtado's

[21] See Mirowski and Plehwe (2009). Hurwicz, as early as 1940, found the economists at Chicago "very reactionary and orthodox. I met Viner, Knight and the other local celebrities... and didn't think very much of them'" (quoted in Mirowski and Nik-Khah 2017: 75).

[22] The work by Bielschowsky (1988) shows the richness of the "economic thought" in Brazil, although originally it is a product of a doctoral dissertation in English.

theoretical and practical interests during the early 1950s examined the history of the evolution and transformation of the Brazilian "economy" Periphery and "economic theory" then dominant in the western world.[23] Hence, Furtado's first published book *The Brazilian Economy* (1954)[24] had two quite distinct characteristics. On the one hand, it was comprised of a historical description of Brazil's "economic formation" from its colonization up until the decade of the 1950s, and on the other, we had one of the first documented histories of economic thought. It focused on the problems of "backward" economies,[25] demonstrating that orthodox economic categories' references towards "underdeveloped economies," had only the function of signaling "differences," with respect to "developed" economies, and worthless to think the specificities of an "underdeveloped economy."

The concept of an underdeveloped economy as a distinct entity with its own logic and structure was already being processed conceptually, culminating in fully fledged discourse during the years of 1958-1962, displacing the teleological and evolutionary notions implicit and explicit in conventional economic discourse, Keynesian included. To start with, the notion of an "underdeveloped economy" starts dislodging the hitherto category of a "colonial economy" dominant in much of the text. By 1958, Furtado was convinced, although not yet completely theoretically armed, that the Latin American economies were specific historical entities that could not be explained with the traditional vocabulary of mainstream economics.

Paradoxically, Prebisch was very critical of Furtado's ideas,[26] and reprimanded, *The Brazilian Economy...* (1954), which in turn made Furtado ponder leaving ECLAC. We could even speculate that to keep him away from the Center of attention he was regularly invited to participate in various economic reports and commissions, starting in the Brazilian and United States Commission and later, through his sudden trips to prepare reports in Venezuela and México.

After 1954, Furtado's cyclical notions of capitalism as a means to jettison inefficient productive sectors started disappearing (Furtado 1950); theoretically, Furtado started thinking more in "structural" terms, "obstacles" or "structural transformations"; concepts that could think productive agents embedded in specific social relations and historical contexts, displacing the "rational" maximizing entities espoused in the official economic discourse.

[23] For more details see third chapter "Celso Furtado and Development: A Brief Outline (1950-2004)."

[24] *A economia brasileira*. It is ironical that a book that was dedicated to Prebisch was to cause him so many problems at ECLAC; his views were used to put pressure on Prebisch and the International Organization, but it must be remarked that it is in great part at odds with the economic categories then dominant, including Prebisch's.

[25] In the English language the closest examination of this type was done by Meier and Baldwin (1957).

[26] See chapter ahead dedicated to his work: "Celso Furtado and Development: A Brief Outline (1950-2004)."

It followed that a theoretical reconstruction was in order, and accordingly, "underdevelopment" could not and should not be thought of as a historical phase to be overcome, but rather as the outcome of the hegemony of a specific set of asymmetric social relations whose articulation generated many of the disparities and "heterogenous" phenomena once thought of in "cyclical" terms.

Thus, a specific body of conceptual tools had to be constructed and that was precisely what occupied Furtado between 1958 and 1962. As mentioned before, the evolution of Western-centric economic thought (Furtado 1954), inapplicable for the analysis of the Periphery's development, and in part resembling his own research, appeared in the results of a conference held in 1951 at Chicago University (Hoselitz 1953),[27] which Furtado read in the following manner:

> The theory of economic development does not fit, in general terms, within the categories of economic analysis. This point of view is quite generally accepted today, and it suffices to quote the seminar on development organized by the University of Chicago in 1951, in which sociologists, anthropologists and historians were gathered alongside economists. (Furtado 1952: 264)

The process and evolution of Latin American Structuralism did not appear in "one fell swoop," as it were. In fact, it was painfully achieved during a period when Furtado, having left ECLAC in 1957, fought many crucial political battles to transform, first the Northeast, in Brazil, as its first Superintendent (1959b),[28] and secondly, as the Minister for Planning (1962a).[29]

After spending a short period at Cambridge University by Kaldor's invitation, he returned to Brazil where he took up the post of Director for the Northeast section at the National Bank of Economic Development (BNDE). It was during this period that Furtado was to publish *The Economic Formation of Brazil* (1959),[30] perhaps the most renowned text in Brazil if not in Latin

[27] For the account of those involved within the perspective of development in the Western-centric tradition, see Gunder Frank (1966).

[28] There he elaborated *An Economic Development Policy for the Northeast* (1959b), perhaps one of the first *books* to have used the thesis of the deterioration terms of trade within different regions (Northeast and Center-South) of a single country's economic formation. See details in Mallorquin (1996) and Love (1996). Prebisch's notion, always a power asymmetry phenomenon, forms part of the evolution of regions and economies: "if agriculture progresses technically by its own impulse independently of the demand in the city (...) lower prices of the primary products in relation to the industrial prices," will generate "an internal deterioration of the terms of trade" ... "similar...to the deterioration of the international terms of trade"... "the fruits of technical progress applied to agriculture will be transferred to the industrial sector, receiving primary raw material and foodstuff at lower prices." (Prebisch 1951a: 12)

[29] The three-year plan of the government *Plano Trienal de Desenvolvimento Econômico e Social (1963-1965)*, elaborated by Furtado, was attacked by all social forces.

[30] In Mallorquin (2005b) I offer a detailed follow up of the conceptual changes in the theoretical vocabulary of this book in relation to its original version: *The Brazilian Economy...* (1954). See also chapter on Furtado ahead.

America. It incorporated most of the historical sections of the previously mentioned book *The Brazilian Economy...* (1954). But this latter version came with all the appropriate reformulations to give it a distinctly "structural" flavor.

Between the appearance of this book and the period of 1964, when he was exiled and forced to leave Brazil by the Military regime, Furtado fought on many battlefields. He produced books and articles with distinct political and/or academic texts, and some of a controversial nature. The latter can be exemplified by the text entitled *The Brazilian Pre-Revolution* (1962),[31] grouping a series of articles, including one which was used for its title and the most politically explosive; a good example of the former can be seen in *Development and Underdevelopme*nt (1961), also a reordering of some of the material found in *The Brazilian Economy...* (1954), appropriately reformulated, and also containing new material from Furtado (1958 and 1959b).

In his first stop of exile in Chile, at the ILPES in ECLAC, Furtado offered a series of conferences. On June 3rd, 1964, he was to present the origins of his theoretical recent position that was to last until around 1972. He represented an economic tendency for Brazil and Latin America, which showed a declining process of growth and industrialization. Here we can observe the notion of the "structural obstacles" and "stagnationist" thesis for the economy as a whole. The conferences initiated the argument which was to become subsequently the book *Underdevelopment and Stagnation in Latin America* (Furtado 1964).[32] The text exhibits all the genealogical conceptual elements that were to appear in F. Cardoso and E. Faletto's classical text of 1969 *Dependency and Development in Latin America*. In turn, Cardoso's book circulated in manuscript form since its inception in 1967, two years before its publication, as an internal document of ILPES - ECLAC (Kahl 1976). The Furtado lectures were attended by various of the names that are later to conform the "dependency approach": Fernando H. Cardoso, R. Cibotti, N. Gonzalez, José M. Echavarría, O. Sunkel, P. Vuscovic, and F. Weffort, amongst others.

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[31] The English version of *The Dialectics of Development* (1964) appeared as *Diagnosis of the Brazilian Crisis* (1965), which can also be put in this tradition, but it is a better and very well-developed case for explaining the unification of the regressive political and social forces of the right against the government, which he foresaw with a military takeover, which unfortunately turned out to be true. Willard Barber (1966), reviewed the English version of the *Dialéctica de Desarrollo* (Furtado 1964), alleging Furtado's "deep Leninist ruts." (Barber 1966: 196). A positive review in English can be seen in Donald J. Harris's text "Diagnosis of the Brazilian Crisis" (1966). It is interesting to mention that the author was the father of Kamala Harris, who is the 2020 vice president of the U.S.A. (see Meireles 2020).

[32] *Subdesenvolvimento e estagnacao na America Latina* (1966).

The Dependency Approach[33]

The vision and perspective of the "dependency approach" cannot be reduced to the issue as to when was the category first mentioned. For example, Kahl remarks (1986: 227), that Cardoso first uses the term "dependency"[34] in 1965. In Latin America there is an extensive discussion as to whether it's an "autonomous theory" or the theoretical product (Beigel 2006) of addressing a critique to the economism and "pessimism" of the future of economic development of the region, of which Furtado's "stagnationist" thesis was an exemplar for that period of his life.

Also, the *Economic Bulletin of ECLAC's* 1964[35] prognosis of certain difficulties on the future process of "industrialization," could and was turned into a "pessimistic" perspective on the future prospects of the development process as a whole, underlining relatively higher costs in comparative terms and a difficult process ahead when the capital-intensive sectors were considered. The first "stages" in the industrialization transformation/expansion, of consumer's goods, substituting imports by local elaboration, apparently seems to have reached a *cul-de-sac*. Also, it gave rise to abundant uncertainties on the capacity to pay for imports and/or rates of "exploitation" required to pay for them as "dependentists" had pointed out; these aspects of the problematical nature of a "development" process articulated to the world market, overwhelmed the discussions in the dependency approach and Latin American Structuralism, alike.

In the "stagnationist" book, Furtado presented explicitly the first Latin American "structuralist" model, its content presented all of the conceptual characteristics that would later appear in the writings of those that were to adopt or follow the above-mentioned denomination. It clearly highlighted the social-political forces that are the basis of "internal" or "external" dislocations of an economy and which tended to reproduce the conditions that constituted the "underdevelopment" condition, or so Furtado argued then, notwithstanding the industrial progression in some of the economies in question.

The text was the culmination of what was to be Furtado's specific "structuralism." Although this book exhibited a very pessimistic view of Latin American economies' future rate of growth and industrialization, today we know that what he was actually criticizing and disapproving of,

[33] With apologies to the many Latin Americans not mentioned, but see note in Kay (1989: 241) for just a few of the names that formed part of the vast and fertile discussions in the region, the majority of which were exiles, first moving and escaping from the repressive Brazilian military regime in 1964, and then repeating the process from Argentina's, and Chile's counterparts in the early 1970's. In their great majority the exodus culminated in their reunification in Mexico.
[34] In 1956 Furtado published a manuscript entitled *A Dependent Economy* (1956) [*Uma Economia Dependente*]. Its contents are part of chapters 2, 3, 4, and 5 in Furtado 1954 *The Brazilian Economy.*
[35] See Tavares (1964) and Macario (1964).

and confusing with an inherent "stagnation" tendency, was the structural and intrinsic mechanism of exclusion by certain capitalist economic formations which marginalize the majority of the population from the fruits of their technical progress. For the first time, Furtado's overwhelming nationalistic tone questioned the role of foreign capital in the conformation of the debt pattern and its productive role in Latin America. This was a theme that would never again become peripheral to his intellectual and political activities.

ECLAC always viewed foreign capital as merely a transitional phenomenon in Latin American economies, required only to undertake the initial process of capitalization, given the low level of "savings." Furtado felt betrayed by the United States' promises and policies for the *Alliance of Progress* during his time at the forefront of development of the Northeast, which in part also explains his pessimistic tone following the Brazilian Military Coup.

Furtado started with an examination of the "external" factors that he believed crippled Latin American economies (U.S. policy), and then moved on to describe the "internal" limits of the industrialization process within Latin America. In this aspect, he argued that once the easy period of the industrialization process was over (consumption goods), substituting certain imports through local production, the next phase (capital goods) posed inherent limitations to incorporate a broader number of the population within the growth of the economy. Furtado considered that the substitution of capital goods imports with local production required an overly intensive capital function, which in turn stimulated higher level of imports. The other side of the equation showed that it absorbed a relatively low level of the labor force from the "backward" sectors of the economy. Aside from the fact that a higher capital-intensive function required a much higher level of savings, which the upper classes did not and would not supply, given their traditional historical behavior, the market size for its goods hindered the benefits of fully fledged economies of scale. As a result, everything seemed to work towards lowering the productivity level of the economy as a whole -not just the capital-intensive sectors- thus ensuring the stagnation process of the Latin American economies.

Cardoso and Faletto questioned the inherent stagnation tendency arguing that development is "dependent-associated" on the power alliances of the social classes involved, but capitalism will certainly continue to advance in the region, therefore the actual historical period did not necessarily mean the end of the continuation of the process and the transformation of the societies. The book by Cardoso and Faletto devoted plenty of space to describe the differing historical situations in Latin America, within and between countries and the economic formations, to present the case for the possibility of a "dependent-associated development," showing therefore the fertile use of some of the elements of the Latin American Structuralism perspective. The theoretical consummation of this flank of the "dependency approach" meant

displacing the classical Marxist notions of classes to explain the political agents and process in question, which is a theoretical aspect that would be contested by Mauro Marini in the best part of his work and debates with Cardoso and others.

Furthermore, Cardoso's perspective also interrogates and disputes the Gunder Frank's thesis of the "development of underdevelopment" (1966) as can be seen by Theotonio Dos Santos's own definition of a situation of dependence:

> dependency is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system becomes a dependent relationship when some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backward and exploited. (Dos Santos 1978: 305).

But the above synthesis represents the undergoing theoretical transformation by the dependency approach dominated by its "Marxist" vocabulary. Marini's work (1969, 1972) depicts clearly this aspect vis-à-vis, those who followed Gunder Frank's vocabulary, and those within the Cardoso and Faletto camp. The political and intellectual period, marked by the Cuban revolution, especially once it was declared "socialist" in 1961, was under the presumed alternative that in the last instance countries in the Periphery had to leave the "capitalist" and "imperialist" trading complex if they were to develop their economies.

Retrospectively, in reference to the 1964 military takeover, Marini signaled that the "conflict would soon explode" (Marini 1969: 150) "between differing processes of surplus-value extraction -relative and absolute- between those highly concentrated capital sectors" and the small capital "technologically" backward ones.

Cardoso and Faletto's interpretation of the period in political terms is similar although the tone and vocabulary differ radically:

> Therefore, development, from the moment that it is undertaken intensifies social exclusion and not just of the masses, but also of the economically significant social strata of the previous stage, whose principal alternative was to achieve some form of subsidiary vinculation to the modern monopolist sector and the political domination it installed. (Cardoso and Faletto 1975: 151-152)

Marini's thesis brought to light a specific reading of Marx's labor theory of value to explain the commercial ties with the international market and the peculiarity of the labor process and the "extraction"/exploitation mechanism dominant in the region. The reading in question forms the basis of his attempt to save an explanation for the use of the category of "underdevelopment" for the Periphery of the capitalist world economy.[36]

On the other hand, in its first versions, the theme and vocabulary of Gunder Frank on the mechanism of "appropriation of the surplus" generated by the "satellites" by the "metropolis" seems to be the product of today's classic works of Paul Baran *Monopoly Capital: An Essay on the American Economic and Social Order* (1966) and *The Political Economy of Growth* (1957). The notion of "surplus" was not given much explanation or elaboration on the part of Gunder Frank, simply assumed as what could be siphoned off from the "satellites" in distinct historical periods by the "metropolis" given the power asymmetries and the imperialist strategy. The asymmetric contradiction: "metropolis" / "satellite" could also be an internal occurrence and differentiation within the same region or country. It was this mechanism that explained the oscillating manner by which a specific expansion or development of a certain region "underdeveloped" its "trading" or commercial counterparts.

There is sufficient literature in the Western-centric world that discussed, since its inception, Gunder Frank's thesis, empirically and conceptually. In the mid-1960s, part of those arguments seems to echo in Latin America, when the "Latin America's structuralist" stagnationist thesis was discussed. Among the proponents of the dependency approach a profound theoretical discussion arose as to the pertinence of the "heterogeneity" notion developed by Latin America structuralists and the power asymmetries in the countries and regions.

The regional articulation to the world market became the center of the analysis via the reconstruction of Marx's theory of value, therefore establishing a conceptual mechanism that could explain different and distinctive processes of "extraction" / "appropriation" of the surplus among and between diverse social formations, some capitalists or proto-capitalists and so-called "pre-capitalist" ones (the notion of "heterogeneity" underscored by Latin American Structuralism). Simultaneously, this would provide the conceptual vocabulary to explain the internal difficulties of the Periphery to continue its development path notwithstanding the "underdevelopment" condition.

When talking about the "central economies" Marini argued that the:

> general rule has been the intensification of the exploitation and therefore, accumulation through the real cheapening of the labor force, achieved principally through the reduction of the value of the goods that are required for its subsistence (...) the constant devaluing of the labor force has constituted the decisive element in the production and

[36] See accounts by Ourique (1994), Barreda (1994), Sotelo (2005, 2014),and Osorio (1995).

> capitalist accumulation of the central economies (...) it is *not rigorously the case in the capitalist economies of the Periphery* (...) these economies have undertaken its process of accumulation fundamentally based in the production of absolute surplus value (...). In other words, the increase of the surplus labor time tends to be realized in fact without altering the necessary labor, that is by not reconstituting the value to the worker which he creates during this setting; therefore, what would seem relative surplus value, frequently is an anomalous case of absolute surplus value. (...) Lets make clear the point: the augmentation of the surplus time-work always signifies a greater exploitation of the labor force (Marini 1974: 114-115, my emphasis) [...] Still, it is possible to identify a mode of increasing surplus value, by which the reduction of the wage is not in correspondence with a real decrease of the necessary labor time. This case tends to be exceptional in the advanced countries, but embraces a generalized characteristic in backward countries, like Brazil, where it configures the super-exploitation of labor. Exclusively for the purpose of simplification, in the text, we use the expression of absolute surplus value also to denote this last modality. (Marini 1974: 148).

Kay's reading of Marini seems to uphold this interpretation that "super exploitation is not identical to absolute surplus-value" (Kay 1989: 145). Sotelo has recently underlined once again the political importance of the Marini/Cardoso-Serra debate at the end of 1970:[37]

> In contrast to Marini, Cardoso and Serra conceived of labor super exploitation as a conjunctural phenomenon and not as a process endogenous to capital accumulation in dependent economies. In the same manner as Ricardo (whose work Marx criticized thoroughly), moreover, they calculated the increase in the rate of profit in a way that conflated the rate of surplus value with the rate of profit. (Sotelo 2014: 544)

In Marini's interpretation, the Brazilian "military dictatorship" could be seen as the "inevitable consequence of the Brazilian capitalist development" in its "desperate attempt to open up new perspectives for its development" (Marini 1974: 97), with its repressive and exploitative labor laws.

Another way to read Marini's concepts of surplus-value and super-exploitation is not to question its "consistency" with respect to a supposedly Marxist tradition, as if the notion of the labor theory of value is something unproblematic.[38] It is precisely this line of thought that the Latin American structuralist perspective developed, problematizing Marxist and neoclassical notions of value and price alike. It argued that the idea of power asymmetries and exploitation between and within production units and the labor force

[37] Marini (1978), Cardoso and Serra (1978), Serra and Cardoso (1978).
[38] Dostaler (1980), Mañán (2012).

did not require a general conception of value to explain certain specific inequalities and indefensible distributional patterns, and in that sense Marini's argument can be defended as a consistent manner to examine the labor process and power asymmetries in certain sectors and regions of the world (Sotelo 2014). In other words, this means that it is the whole classical political economy tradition which has to be overhauled and questioned. A reading of the period and its authors in a structuralist fashion converts the notion of power as its center of analyses and examines the differing mechanism by which social relations delineate and determine the possession in separation of certain of the conditions of existence of the productive units, mechanism by which a "market" and a commodity circulation emerges. In turn, this mechanism explains how the exchange process determines the distributional context-pattern between different agents. In this sense, there is no market in general and no necessary articulation of certain social relations to specific forces of production. These are transitional and contingent upon certain historical cultural traditions and specific processes. The heterogeneous nature of much of the "economy," both "developed" and "underdeveloped," belies the idea that there is a unique way to organize the productive process and achieve efficiency and equality.[39] That is one of the central ideas that Latin American Structuralism developed theoretically through its historical analyses. Structuralism has always sustained that its perspective theoretically supersedes (in Hegelian fashion) the "classical" and post-Keynesian school of thought. It is worthwhile, then, to observe some of its vocabulary through the work of Furtado. By the mid-1960s Furtado said:

> Economic structuralism (a school of thought that arose in the first half of the 1960's amongst Latin American economists) has as its principal objective to take into consideration the importance of the 'non-economic parameters' contained in macroeconomic models. Given that the behavior of these economic variables depends mostly on these parameters they have to be the object of meticulous study. (Furtado 1967: 81)

Thus, the emergence of economic plans, for example, implied "land reforms" (Furtado 1969, Chapter XXIII), so that the "structural picture" could be modified and the social agents in question be freed to take up better remunerated positions within the social division of labor, which in turn would presumably favor a more equal distribution of incomes and resources. It assumed an advancement in the "knowledge of real structures," so that on many occasions it demanded the supersession of "conventional economic analysis" (1969: 297). Furtado insisted that his perspective had "no direct relationship with the French structuralist school, whose main orientation was to give importance to the synchronic axis of social analysis and establish the 'syntaxes' of the disparities in social organizations." (Furtado 1967: 80-81)

[39] From a different perspective, notions of the "Pareto Optimum", efficiency and self-adjustment equilibriums are difficult to sustain (Nadal and Ackerman 2004).

Traditional conventional economics cannot take account for, nor explain the existence of "structural obstacles" or "heterogeneous agents." Therefore, the perspective rejects the notion of the existence of "homogeneous factors with the same technological time horizon" (Furtado 1969: 102). The problems of "underdevelopment" needed to incorporate ideas of a non-unified labor market and the simultaneous existence of diverse productive functions (heterogenous), depending on the "surface of the economic structure in which the productive agent is inserted" (Furtado 1969: 102). The theoretical emphasis, therefore, tries to destroy systematically the traditional appearance of these problems within separate compartments, be "economics" or "history."

In a sense, Furtado rebuilt into a theoretical concept a notion that for Perroux appeared to be an *obstacle* or ephemeral phenomena that needed to be reformed:

> Structural inflation has adulterated the very notions of our science; that is to say, it has warped or broken the modern instruments which are necessary not only for the diagnosis, but also for the treatment or operations that are indispensable for its cure." (Perroux 1957: 263)

Furtado's theoretical deductions had already appeared in his description of the evolution of the development of Brazil during the early 1950's in which he distinguished between "dynamic" and "static" notions of inflation, a consequence of power asymmetries between agents and sectors, which later with the work of Noyola (1956)[40], were to be coined as the "structuralist" conception of inflation, underlining power asymmetries between different agents-sectors in the economic formation, in other words *not a monetary phenomenon.*

In this sense, the 1954 book *The Brazilian Economy* shows the initial steps of a theoretical transformation that can also be found in Perroux's idea that specific and distinct economic units have differing "arenas," necessarily antagonistic towards each other. The so-called "equilibrium" or "relative peace" is the consequence of the hegemony of a definite productive unit or sector, which manages to establish a hegemonic role over a specific economic space and thus over other economic sectors (Perroux 1950). In other words, it is a question of the differing power asymmetries.

Retrospectively, developmentalists and their critics have to reckon with a post-WWII period of growth, which before the "lost decade" (1980) showed rates of "growth" that have not been attained since. But the real absentee, during this period, are the structural reforms required to promote the "development" of the region, which can be said are the main dark aspects of the history during the epoch.

The historical transformations of land and fiscal reforms were never in the

[40] There seems to be a familiar resemblance of sorts in the Western-centric literature, Aujac Henri (1954). Noyola reviewed Furtado's *A Economia Brasileira* (Noyola 1955).

political agenda, distributional aspects that would have provided the much need "demand" to defeat the so-called limitations of the "market."

Ever since the mid-1960s, structuralism policies on development have been evaluated in terms of its policy ideas towards the industrial sector, and yet that aspect forms part of a much wider perspective of the role of the state in transforming the social and political horizon. The differentiation and apparent conflict between an "easy" phase of the import substitution "industrialization" devoted to the elaboration of the consumer or non-durable goods vis-à-vis the "difficult" stage that entailed the substitution of the "machinery" or capital sectors forgets that the issue was related to a change in the "composition" of the goods imported:

> the substitution process does not propose the diminution of the global quantum of the importation; the diminution, when it is achieved, comes imposed by the restrictions of the external sector and not by design. From these restrictions (absolute or relative) arises the necessity of producing internally some of the goods that before were exported. (Tavares 1964: 5)

The Periphery, tied to the limitations of its inherent external disequilibrium, given the tendency of the deterioration of the terms of trade and incomes, had to concentrate in developing certain sectors and geographical areas that could be sustained by a series of closely articulated policies, what later (Hirschman 1963) would coin in terms of "backward and forward linkages" and the positive feedback all along the productive and sectorial chain.

These aspects also tend to cloud an issue, which is generally appraised in terms of the respective levels that can be deduced from capital-output and/or capital/labor ratios that present the heterogeneous horizon of those economies. And yet the structuralist perspective emphasized that "productivity" and investment had to be examined in the context of the power asymmetries of the production units and regions involved, that required specific analysis in every case, by which it practically sidestepped the so-called Cambridge capital controversies and "re-switching" (Harcourt 1974) of the 1960s in the Anglo-Saxon universities (Boinavosky 2013). The whole notion of development implied a distinct version of thinking the "increase" of "productivity" levels which meant organizing the labor process in a different manner, as well as promoting changes in land tenure or "structural reforms" in general: the dynamic view implied that even if some nations produced at a higher cost some of its products instead of importing them, it would generate in turn new production units and other necessities, changing the *patterns* of production and the "demand" in question. This way of posing the problems in ECLAC demonstrates once again that they had no need of mainstream economics, nor proto-Keynesian visions: prices and incomes were a contingent product of the power asymmetries between and within certain sectors and regions. Structuralists assumed the undecidable dilemma

trade-off between a relatively higher level of incorporation of the population towards the more productive of modern zones, or specific sectorial higher wages; it was a dilemma that had no easy answer, whether in the "Paretian optimum," or "second best choice" (Little 1982) of the capital intensity required, it simply could not be deduced in advance.

This vision for amplifying the radius and scope of modern "exchange" and commodity relations was to be criticized by Marxist theorists (Bernal Sahagun *et. al.* 1980),[41] and the "dependency approach" alike. Simultaneously, neoclassical criticisms during those years highlighted the investment strategies but for different reasons.

The historical confrontation between, on the one hand, the "*Dependentistas*" who claimed that structuralists aspired to develop "capitalism" aiding a "comprador bourgeoisie" (a backward and corrupted capitalist class) with profound state interventions, and on the other hand, neoliberal ideas underlining high level of protection and certain costly experiments and "state interventions" proclivities. This in turn limited the efficiency of the market through the "crowding out" effect of private capital investment, which obscured structuralists' policies and views on the role of the "market" for transforming Latin American governments strategies. It was argued that the states' intervention turned the whole process of investment and growth into a vicious negative circle, which lead to high levels of external debts.

By the end of the 1970s, it was clear that "development" was not synonymous with "growth," implying among other things a series of reforms or structural transformations, reducing income inequalities between sectors, differences between various areas and regions, which could not be conceived independently of recovering and institutionalizing some form of a "democratic" regime. Thus, the 1980 lost decade of growth in Latin America withstood all the political struggles and various transitional processes which the region had to undergo to reach a form government based on a more open and competitive "democratic" process (Foxley 1988).

Under the Sweltering Heat of the "Washington Consensus"

In the 1980s, with an increasing external debt (Bulmer-Thomas 2011, Sunkel 1991), the Periphery would show declining rates of growth and development. The international environment had changed drastically after the U.S. left the dollar free of its gold counterpart, turning to relatively flexible exchange rates. In turn, the higher petrol prices during those years created a massive liquidity that was to be "lent" at very low interest rates to any country willing to undertake the borrowing. An inflationary process surged that was to leave the Periphery in a very weak situation to negotiate its external debts. The Brady plans to exchange bonds for external debt (Bulmer-Thomas 2011) did not really solve the insurmountable payments with the level of

[41] A book composed of a series of meetings in 1973-74 at the Autonomous University of México. See also Guillen (1975, 1976).

interest rates then in process, which with the declining rates of growth of the industrial Centers generated a reduced level of imports from the Periphery. That explains the negative rates of growth during the so-called "lost decade" of the 1980's, although it can be taken to mean until the end of the 1990s in some countries (Perez and Vernengo 2010).

The decline of state support for capital investment/construction (Ramos 1991) can certainly explain the lower rates of growth and development in the Periphery since the inception of the "Washington Consensus" drive and the appearance of the so-called "good economics" (Harberger 1995) and the "Chicago Boys" in our intellectual horizons; foreign direct capital did not occupy the vacuum left by the public and states' subsidies to local industry; the childish argument about the "crowding effect" by state interventions and subsidies took many decades before it was questioned (Sunkel 1991, Ros 2014, Sosa *et. al*. 2013) given the disastrous consequences for local industrial sectors and the economy in general.

The process stimulating research and development in local industries has become one of the main aspects on which the state in the Periphery is beginning to concentrate. The so-called market forces have not been forthcoming with their benevolent fruits as the globalization and "Washington Consensus" initially promised. The great part of the investment and research is generally undertaken and "placed" strategically in "developed" economies (Thompson and Hirst 1996), leaving for the Periphery other less important tasks of the productive process in the best of cases when the direct foreign investment is undertaken by the big corporations.

The surplus of foreign currency to pay for the debt and interest in the current account, allowed the foreign exchange to be sent home by the great migration drive towards the industrial countries, given the absence of local alternatives: the Periphery was converted into a vast camp of labor export sanctuary for certain economic sectors in the "Center countries." In contrast to capital flight and unregulated freedom by the "globalization" drive, the migratory forces were under the constant persecution and racist invectives of the local Center states, which was to be intensified once a downward growth tendency was perceived, lessening their capacity to increment the "price" of its labor.

Invariably in ECLAC a discussion arose as to the *mode* of sustaining and generating higher "productivity rates" and the industrialization process. It included a much-reconsidered reflection on the "openness" or otherwise of the recent decades of the "industrialization" drive, which as mentioned before was not just a "neoliberal" criticism. The trends and direction of the generation of endogenous local technological rationalities was the starting point with the work of Fernando Fajnzylberg (1983) *La Industrialización Trunca de América Latina,* underlining the importance of developing an

"endogenous nucleus" and "creative environment"[42] with the corresponding social and political alliances to attract some form of foreign capital to intensify the accumulation drive, which really meant concentrating on sectors with high capital density, in tandem with a much more "open" and "free" environment heretofore in the region. Although the discussions linger on whether the "structure" of the final demand and incorporation of the labor force could be better intensified if industrial innovation strategies concentrate on the medium or smaller production units, the work of Sunkel in the early 1990s (*Development from Within: Toward a Neostructuralist Approach for Latin America*) offered an interesting alternative theoretical twist. The work is presented as a supersession of Prebisch's and ECLAC's postures on its vision of the articulation of the Periphery to the world markets and the corresponding industrialization process involved.

By then the region had to attune itself to what was called the "Washington Consensus"[43] if it was going to receive some foreign lending or respite on the drain of its capital towards the industrial Centers. The hegemonic neoliberal regime came hand in hand with the imposition of the "Washington Consensus" and the myth of the globalization process. The "reforms" imposed, implied it had to open up its economies lowering all rates of levies on imports, sell and privatize most of its public utilities sectors, and generate a surplus in foreign exchange. This meant advocating an export drive that in the short run could only be undertaken by the primary sector which generated the commodity boom export, whose role in the last instance became the Center piece of a strategy reinstating the long run sustainable uncertainties on the nature of the transformation of the economies in question.

The opening up of the economies of the region to the world market with the promise to receive foreign investment soon showed a declining tendency, after an early surge by big international corporations to buy the heretofore state public utilities ("un-manageable", "deficit", and "unproductive" as the tedious neoliberal jargon sung), followed by the cyclical arrival of foreign capital searching for higher bond rates earnings in the Periphery.

Most of the adjustments and reforms consequent on the opening up of vast economic sectors to the international competition had also to do with the absence of macroeconomic "equilibriums" that were thought to be generated by the state's uncontrolled expenditure, requiring important fiscal reforms that had also been a basic postulate of the structuralist modernizing strategy.

In certain arguments it was a question of the distance or "non-convergence" between Latin America's growth patterns, specially of its industrial sectors vis-à-vis the benchmarks or model of the industrial Center growth rates; others argued that transmission of knowledge and research alternatives had to be examined given that differing productivity rates could not be explained

[42] Rodriguez says, "enriched with the advances and understanding of the 'endogenous' technical progress and innovation" (2006: 367).

[43] Cypher (1998), Marangos (2012), Kregel (2008).

solely on factor productivity in question.

Sunkel (1991) was recuperating the structuralist vocabulary with the prefix "neo-structuralism," emphasizing and questioning the critique by neoliberal ideas that its strategies were inefficient because it opposed an open market[44] and the freedom to interact and compete among different countries. If Prebisch's classic formula (Prebisch 1949b) stated that post-WWII process of development should take an "inward" direction for the Periphery after a century of an "outward" drive, Sunkel (1991: 23-59) generated an interesting twist to the issue. He argued that Prebisch's dictum of an "inward looking development," did not put sufficient weight on the particularities of accumulation, emphasizing the impulses that were generated by the expansion of the home market, and the replacement of local production by imports of goods previously imported.

This last formulation leads to a strategy, which rests in the amplification of the internal consumption and the local reproduction of the consuming patterns, industrial production and technology of the Centers, via the import substitution industrialization, fundamentally oriented by a narrow and skewed internal demand, configured by an internal unequal distribution of income. The industrial strategy *from within has very different implications* (...) in the words of Fajnzylber (1983), of an 'internal creative effort to configure a productive structure that is functional to the needs and potential national specificities' (...) internal creativity requires (...) a greater and contiguous participation and interrelation between different agents and incentives: big industrial plants linked to medium and small enterprises, scientific and technological infrastructure (...) Once the communication, interaction and fluidity of these actors, instances and levels of decision get consolidated as a national practice, it would have conformed integrally what is known as the 'dynamic technological endogenous nucleus'. (Sunkel 1991: 64).

Therefore, Sunkel's *Inward-Looking Development to Development from Within*, exhibit a search for a political and theoretical option to counter the so-called "globalization" and "Washington Consensus" policies.

It seems to displace the question of the home market's limitations to absorb technological progress, culminating in the idea of generating an endogenous technology change emphasizing reforms and structural transformations now viewed in terms of the new forms of articulating the local productive units and the potentially conceivable associations with the world market corporations.[45]

First of all, the "structuralist perspective" and its policies were never the evil green monster anti-market or state Centered that neoliberalism narrative claimed; the post-WWII economic environment of the period imposed on some countries exchanged control and state subsidies for industrial and

[44] For the typical criticism, see Lal (1983).
[45] See Leiva's critique (2008).

other concerns, which were not very different to what had occurred during the evolution and growth of the industrial Centers and inter-war years.[46] On the other hand, the social and infrastructure development conform to the patterns observed in the industrial Centers own evolution as Chang's (2002) book reminds Western-centric academia.

In that context (Fajnzylberg 1983) proposed concentrating on developing the uppermost technological phases of industry, which generated an important debate with those whom argued instead for the support of the small and medium size production units, given its higher rate of labor incorporation to the productive circuit, which had a more positive effect on the economy as a whole and to the productivity level generated by each unit of capital or labor during the growth process.

Development from within recovered some of the various alternatives to think and propose the new ways to incorporate and defend for the Periphery the fruits of its own technological progress, transforming the once apparently closed circuits between local capital and their foreign counterparts, into a more hospitable and competitive environment were the "state" would use other types of leverage to sponsor the industrialization and transformation of the Periphery. What neoliberalism policies forgot in its "state Centered" invective in the region were the authoritarian and undemocratic regimes that existed during the 1970s and 1980s, which created many of the obstacles to the "developmental process" required for a higher "growth" drive to be undertaken. Neoliberalism's policies were complicit with the Pinochets of the region that protected and sponsored so-called "individual enterprise" at whatever cost in terms of civil liberties.

Simultaneously by the end of the 1970s in Latin America, perceptions on the undemocratic regimes started to differentiate between "styles" or "approaches" of development (Gutierrez Garza 1994),[47] as well as O'Donnell's (1982) notion of "state bureaucratic-authoritarism." They initiated challenging the then quite dominant conceptual horizon of the left in Latin American of the function of the state as simply an apparatus representative of the bourgeoisie "interests."

Under the dictates of the period "Washington Consensus" we find a peculiar historical phenomenon occurrence in the Latin American region, especially if gauged by its intensity: the much vaunted process of inclusion and development, represents a period were the region intensifies the political and economic asymmetries, sponsoring the expulsion and exportation of labor: the much needed surplus of foreign exchange to pay for the region's external debt had been resolved through the mechanism of the "exportation of labor force" to the Center countries.

Subsequently the social and political struggles in the region confronted the

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[46] Booth (1987, 1989), Peden (1989), Cerretano (2009).

[47] Graciarena (1976), Wolfe (1976).

persistence of the neoliberal strategies, under a few political regimes which contest some of its main tenets: Venezuela, Brazil Argentina, Bolivia, and Ecuador, which more recently have presented an off course with vengeance with the return of Bolsonaro and the Macri regimes in Brazil and Argentina respectively. At least rhetorically if not in real terms, Bolivia, Ecuador, and Venezuela strove for new policies with a more "distributive" perspective until the recent changes, sponsoring an intensification of certain rates of growth and incorporating the inclusion of the local populations in their development objectives. But we must evaluate these alternatives in the context of what has happened with the rise of a whirlwind of neoliberalism and its consequences. The level of inequality in the region has not changed practically in the last twenty years. Sectorial and geographically debates hinge on its amplitude (ECLAC 2010, 2015).

Weak rates of growth globally again seems to be a basic limitation but also the structural reforms in the region have been delinking the productive processes internally by sale to foreign enterprises of certain productive units, which sponsored "commodities boom" primary exports displacing backward and forward linkages, by prioritizing the agricultural -export boom- without its "industrial" partner side.[48] Also the land tenure and family agriculture have not received the subsidies or collateral for its sustainability; in some countries, agriculture has had to withstand the most retrograde of policies attempting to appropriate and concentrate the land in fewer units; its forms of possession in separation of some of its conditions of existence do not present any "modernizing" tone in any sense. On the side of its external account, the region presents a much more stable and consistent behavior, having tackled with success the 2008 financial meltdown in the U.S.

ECLAC's much professed "hour of equality" (ECLAC 2010) corroborates much of the prognoses of a weak growth rate and yet relatively stable macroeconomic parameters. Reforms are needed to enhance the development in the region. But the elements which new policies should incorporate have to do with transforming the actual forms of possession in separation of the production units, looking for alternatives in community projects and other forms of state and cooperatives participation. Macro demand management policies are not enough to change the actual logic of neoliberal "deregulations" which brought about a surge of economic, and much more dangerous, social polarization forces, marginalizing extensive sectors of the population, which previously had been slowly incorporated into the life of the nations.

Concluding remarks

[48] CEPAL-Cimoli (2007), Cimoli (2005), Cimoli y Dosi (1995), Cimoli, Primi y Vergara (2005), Cimoli y Stiglitz (2008), Cimoli, Nelson y Stiglitz (2006), Cimoli, Dosi y Stiglitz (2008a), Dosi, Fagiolo y Roventini (2008), Dosi, Orsenigo y Labini (2002).

The long trajectory of Latin American theoretical discussions presented have not concluded. I tried to describe a certain peculiarity, emphasizing its distinctness with respect to Western-centric discourse, and given the absence of a privileged or sacred perspective, construction of theoretical bridges can be undertaken. Recently, under the authorship of Pérez (2015) "neostructuralism" and "heterodox" economics are placed as discussants of each other as to their viability of their articulation. Whatever the resulting synthesis which we might reconstruct, Latin American "structuralism" finds itself placed in the difficult situation of having to choose between a discourse that understands the "economy" as simply portraying diverse and contrasting "elasticities," or an antagonistic power asymmetric space between agents. Much (time!!!) was lost by Prebisch himself, who did not close the dilemma until one of his last books (Prebisch 1981) *Capitalismo Periférico: Crisis y Transformación*, underlining the heterogeneous nature of the agents in question, and the power asymmetry, which engendered them. But there is still some hope: Western-centric post-Keynesianism has offered something in that direction: "Contrary to neoclassical theory, and contrary in fact to what many Marxist and classical economists claim, there is no necessary inverse relationship between real wages and profits rates" (Lavoie 2009: 122), a basic tenet of the deterioration terms of trade which surrounds the work of Prebisch, which equally can be bolstered by the "explorations" on "disequilibrium", found in the Backhouse and Boianovsky book (2013), as well as the reappearance of the "heterogeneous agents" (Hoover 2012).

But the political reforms required in the region require reconstructing a much disarticulated "playing" field, which means that we must transform the way by which agents, regions, and countries "possess in separation" the conditions of their livelihood; it's not just the question of resuscitating the role of the "state," it also has to do with finding ways of incorporating the local populations into their own reconstruction: which brings us back full circle to the initial question of what we mean by "development."

Chapter 2

The Unfamiliar Raúl Prebisch 1943-1949

Time precedes existence
Prigogine (1990: 183)

Time is the substance of which I am made
Jorge Luis Borges (1996: 148)

Introduction

This *Introduction* is followed by three sections, *A Crucifixion on a 'Cross of Gold'?*, which examines Prebisch's first steps to explain the role of the "gold standard" aiming to generate alternative policies for the Periphery while the "White-Keynes" project for a new financial organization at Bretton Woods is in process, which is continued with the description of the theoretical strategy to jettison "classical political economy", *A Theology for Liberation*, and finally, *The Eternal Return: Time and Asynchrony*, that underlines the culmination of Prebisch's ideas on the cycle and time, or to use a pompous term, the "ontology" in question.

The chapter hopes to display an episode in the intellectual life of Raúl Prebisch, namely, the years following his dismissal in 1943 as head of Argentina's Central Bank until a few days after his departure in 1949 from Mexico City to Santiago de Chile, without having concluded the schedule of lectures promised. In Chile he was to draw up a report as a consultant for the ECLAC, a period just prior to the *Manifesto* (Prebisch 1949b).[1]

On October 18th, 1943, Prebisch received news that he had been fired from the Central Bank. This, as Dosman points out, was "the single most painful experience of his life" (Dosman 2001: 89), and one that Prebisch himself mentions repeatedly in interviews throughout the 1980s (Magariños 1991, Pollock *et al.* 2001, González del Solar 1983). By December 1943, Prebisch had already made an important decision to seek financial backing to research and write a book entitled *La Moneda y el Ritmo de la Actividad Económica* (Prebisch 1943).[2] Argentina's publishers rejected his proposal, but Prebisch went ahead with his plan "while he was teaching at the faculty" (Dosman 2001: 94).

[1] The title of the original text, *El desarrollo económico de América Latina y sus principales problemas* (*The Economic Development of Latin America and its Principal Problems*) is not qualified by the term *some* ("algunos") when cited by many specialists. Did Prebisch himself change the title, or was it due to an error that could not be altered, given the lightning speed with which it was published everywhere? I am in debt to Dr. Víctor Urquidi for giving me a copy of the original manuscript.

[2] I would like to thank Edgar Dosman for a copy of this 10-page manuscript.

But today´s access to the content of much of Raúl Prebisch work and "published" texts during the following year's requires an explanation. Writings such as *Conversaciones en el Banco de México S.A.* (1944b), were dismembered in two volumes, hence the reference "Prebisch 1944b in Prebisch 1991c and 1993", and *La Moneda y los Ciclos Económicos en la Argentina*[3] from 1944c, another dismembered text of the period, is referenced as appearing in Prebisch 1991c and 1993. The manuscript *Conversaciones* can be found separated in Prebisch 1991c and 1993. *Conversaciones* are talks he gave to a series of public officials of the Mexican government with whom he agreed they were not to be made "public." On the other hand, *La Moneda* (1944c) incorporates substantial parts of *Conversaciones* (1944b). Editors mention that Prebisch allowed for this incorporation. The publication of *La Moneda* (1944c) is presented in turn dispersed as mentioned into specific fascicles representing specific lectures by Prebisch (1991c and 1993), but includes only 17, excluding fascicle no. 1 ("Introduction," 11 pages) which can be read in Mallorquin (2006). In fact, *La Moneda y los Ciclos Económicos en la Argenti*na is actually a full contained text of 342 pages. Editors were Julio Gonzalez del Solar, Pascual M. Martínez, and Juan Carlos Menescaldi. The volume contains the shorthand notes taken from Prebisch's lectures which were revised under his supervision. In accordance with Argentina law 12,371 of June 1944, editors expressing no profit motive hoped to recover costs. However, notwithstanding the 1944 year as date of "publication" by *Rotaprint Argentina* fascicles 14 to 18 were published during the first weeks of January and February 1945. But the latter fascicles can also be found in Prebisch's 1944b. In today's terms, there was an incredible amount of "copy paste" work.

It is my aim here to present the development of Prebisch's critiques and reflections on economic thought. I will touch only obliquely on his ideas about economic policy and industrialization, a subject that merits consideration but which can be observed discussed throughout most of the book. One of the assumptions of my argument is precisely that Prebisch's thinking displays a certain historical unity in this period. This can be analyzed independently of the intellectual periods immediately preceding and those that follow our analysis. The period between his demise in 1943 as the General Manager of Argentina Central Bank and his decision to take up initially a post of consultancy at ECLAC in 1949, should be seen in a context fraught with very important political transformations in Argentina with the rise of Perón to power. The Faculty of Economics of the University of Buenos Aires also bears the brunt of changes in process and Prebisch was not an absentee in the discussion for the reform of the curricula of the discipline by offering an alternative, although "losing" out to the proposals of the then governing body of the Faculty in 1948 (Arana 2016). Simultaneously, as his theoretical evolution would show, he consciously rejected any necessary "oligarchical"

[3] I am grateful to Dr. Washington Ashwell, who kindly sent me a copy of the manuscript.

ties in thought and action with the landowning class: in September in 1945 he published in Spanish the 1924 conference he offered in Australia to the Henry George Club de Melbourne (*The land issue,* Prebisch 1945d) showing his lifelong disgust for the landowning class and parasitical practices in Argentina and Latin America. But the inner conflicts in the Faculty of economics, with the "Peronist" movement in process, convinced him to leave the Faculty in 1948 despite his favorable avowed posture for a "responsible" intervention in the economy (Prebisch 1945 in Prebisch 1991c: 447).

I will not go into a comparison between the theoretical vocabulary of the period 1943-49 and *subsequent vocabulary*. However, the existential and political events that prompt the Prebisch of the *Manifesto* familiar to many is a period I take as "read."

In a nutshell, the Prebisch of the *Manifesto* (1949) and the theoretical reflection about the peripheral economy (and therefore the very notion of the cycle) that gradually took shape thereafter, was not predetermined by his earlier thinking. In other words, the ideas that Prebisch had been developing, and was carrying around in "his luggage" when he decided to accept the post of consultant to the ECLAC in Chile suggested a *different* theoretical path. We shall see that Prebisch had other theoretical options and may well have gone on developing them.

Joseph Love has mentioned that Prebisch read an article by Charles Kindleberger discussing the decline of the terms of trade suffered by the primary producing countries *vis-à-vis* the industrial ones and suggesting that "production factors for agriculture and raw materials [be] transferred to industry" (Kindleberger in Harris 1943). Indeed, Prebisch avoids these issues in *Conversaciones* (1944b) and criticizes Kindleberger (Prebisch 1944b in 1991: 197), for assuming that the rest of the world was predestined to buy much more from the United States than what it sells, rather than the other way around. Using Argentina as corroboration, even called into question his own statements about Kindleberger.[4] However, we have to remember that the discussion at the time was focused on the international stabilization plans (the White and the Keynes Plans were already circulating) and the "scarcity of the dollar" (Mikesell 1994). Even more important, for Prebisch, the theoretical explanation for the different "income elasticities" was not relevant as a subject for reflection. During those days, he was examining economic theory in general, and although the subject of the "worsening" primary product prices had been "reported" and "assessed" by his own pen since his student days, he had as yet no theoretical explanation other than the classical one of the cyclical rise and downfall of prices.[5]

[4] "Which does not mean he might not be right" (Prebisch1944b in 1991c: 198).
[5] An example should it be needed: here the topic discussed is the tendency to disequilibrium in the "balance of payments" in 1936: "I am referring to the fall in international prices. If international prices go on falling year after year, the balance of payments, which tends to balance out after the first fall, is again unbalanced with successive falls (...) The case I am considering

Indeed, it is rather "odd", as Love puts it (1996: 118), that no paternity of any kind is granted to Kindleberger as one of the precursors of the Prebisch-Singer thesis about the worsening terms of trade suffered by primary exporting countries *vis-à-vis* the industrial countries. Moreover, if we assume that these issues were foremost in Prebisch's reflections on economic thought, then we can rightly talk, as John Toye and Richard Toye (2003: 445) do, of a certain "confusion" in his ideas about the mechanism of the "worsening in the terms of trade."

My own interpretation differs in that, rather than talking of "confusion," I aim to show that Prebisch found himself in a process of theoretical transition, or at one of the several theoretical crossroads throughout his life, and which would in fact be frozen. But Toye's approach fudges analysis of his reflections before the *Manifesto* with the latter. In other words, at ECLAC emerges once again a strategic shift in theoretical vocabulary, quite possibly the result of a crucial event, as well as the atmosphere of the "Cold War" and prudence and calculation produced by international organizations, especially ECLAC, hounded by the United States.[6]

This would seem to have been the case because Celso Furtado, a colleague of Prebisch's in the early days of ECLAC, has said that prior to the famous manuscript, Prebisch circulated a "first text" and that, before discussion began, "it was abruptly taken out of circulation with no explanation," aspects of which can be observed in our account further ahead. However, the text known worldwide today was presented without further preliminaries and reached "my hands in mimeograph in its finished form" (Furtado 1988: 53). In fact, we do not know what happened to the "first text," but the new manuscript was, in Furtado's words, no longer on the "defensive"; it was an open call for industrialization, in spite of pointing out the "limitations." According to Furtado,[7] it is the appearance of Singer's classic article (1949)[8] which explains the turnabout and the beginning of the transformation of Prebisch's theoretical vocabulary between the two texts, as Toye (2003) tends to validate.

In Dag Hammarskjold's celebrated phrase[9], was this the period when

is different. It involves the hypothesis that price levels fall continually over a number of years" (Prebisch 1991c: 566), "setting off a new wave of gold exports. That is the characteristic feature of this phenomenon" (Prebisch 1991c: 569).

[6] There is no better account of these years than Celso Furtado (1988) and Burger (1998).

[7] "It was the appearance of H. Singer's work on the terms of trade that enabled people to think globally about the problems of underdeveloped countries, or about the global terms of worldwide exchange between primary and industrialized products, which is translated into global terms of trade. Singer took the relationship between the developed and undeveloped countries as a central hypothesis. It was a description of imperialism under another name, in a manner of speaking. (...) Prebisch read Singer's text and it must have had a great effect on him because, after tidying up the first version, he worked intensely on a second, introducing a quote by Singer, and the system of exchange data" (Furtado 1998: 85-86).

[8] On the vicissitudes of Singer's article, see Toye (2003).

[9] Dag Hammarskjold had said: "Indeed, Prebisch is skating on thin ice, but I fully support him" (Magariños 1991: 144).

Prebisch started "skating on thin ice?" Notwithstanding it did not prevent him supporting the presentation of the report commissioned from him for the Quintadinha Meeting in Brazil in 1954 by the OAS's Inter-American Economic and Social Council. It is no secret that, aside from calling for his "head," the United States government attempted unsuccessfully to prevent ECLAC being set up after the three-year trial period. There can be no better corroboration of this attitude and policy than when Eugene Black, then President of the International Reconstruction and Development Bank, shouted from the rooftops "Who does this man think he is coming here and giving us advice?" (Santa Cruz 1984: 467).[10]

A Crucifixion on a "Cross of Gold"?

Several years after leaving the Central Bank, Prebisch claimed it had been a "true theoretical liberation" (Prebisch 1993: 411).[11] It is symptomatic that right from the beginning of the *Conversaciones* (1944b) he draws the limit and extent to what he was willing to criticize of the "monetary doctrine": "Why not seek our own principles when the traditional principles themselves are undergoing a severe process of critical revision?" (Prebisch 1944b in 1972a: 255).

Although *La Moneda* (1944c) composed and written some months *after Conversaciones* incorporates much of the content of the latter, critical positions much more fundamental to economic theory can already be perceived. These positions Prebisch may already have held, but not yet conceptually elaborated, and they therefore did not form part of what he expounded previously in Mexico.[12] The theoretical strategy of *La Moneda* still spoke of "adaptation" and the "modification of theories," as well as "formulating new ones" about the "reality" of his "country" (Prebisch in Mallorquin 2006: 54-55). Indeed, a year later he was still trying in some way to defend the limitations of the traditional doctrine regarding the Periphery, referring to it in the image of "geographical charts" or "old maps" that should be put right contrasting them to specific realities (Prebisch 1945 in 1991c: 443).[13] Then, in *La Moneda*, he does not suggest breaking with the traditional explanation of "monetary phenomena of big countries" (Prebisch 1944c in 1972a: 256), since they "coincide" (albeit only "partially") with the phenomena of peripheral countries.

I should stress that the discrepancy (not to say theoretical "ambiguity") about the usefulness or otherwise of traditional theories, is also present in his appraisal of the gold standard. If, on the one hand, this was not "about ditching the gold standard as a monetary regime in our country, but about finding a way to adapt its workings to our needs, to our economic and monetary reality" (Prebisch 1944c in Mallorquin 2006: 54),[14] on the other, Prebisch also stated that the classical theory of the gold standard "is not universal." Such a regime represented the "experience of the Center," of "industrial and creditor" countries, and not "the experience of the countries

[14] The stance of *Conversaciones* (Prebisch 1972a) and *El patrón oro...* are similar: "to perfect," "to correct," "not to destroy" the gold standard in "our countries" (Prebisch 1991c: 233).

in the Periphery" (Prebisch 1944c in 1993: 19).[15]

These discrepancies reflect an ongoing theoretical transition. It is in *La Moneda* (Prebisch 1991c: 286)[16] where Prebisch expounds for the "first time" the theoretical explanation about the cycle while simultaneously trying to displace previous elaborations. This also explains why his arguments against Kindleberger in *Conversaciones* (1944b) are absent in *La Moneda* (Prebisch 1944c). Both narratives were elaborated in 1944: *Conversaciones* preceded *La Moneda*. The new theoretical issues also excluded any kind of rapprochement with Kindleberger's thesis, apart from the fact that Prebisch already had a new appreciation of the international ensemble,[17] despite being aware of one of the factors pointed out by Kindleberger to explain the "worsening" primary produce prices, for example *a la Duesenberry* on the low price elasticity of demand for consumer goods which he now begins to consider.[18]

[15] Elsewhere Prebisch says: "As a system the gold standard has been automatic only for certain countries. It was not so for England, who managed it until the First World War. The concept of the gold standard's automatism is a dogmatic aberration of the kind so frequent in economic matters. (...) the gold standard has been a highly directed system, not by a single authority, by one government, but by a group of bankers led by the Bank of England (...) directed (...) from the standpoint of British interests, and even more so from the standpoint of a social class with great economic and political influence in Great Britain, and extremely concerned to maintain domestic monetary stability, despite the consequences that might result from it for international economic activity" (Prebisch 1944c in 1991c: 317). At around the same time, Nurkse was saying something similar, but from a different theoretical perspective: "The policy of offsetting is intended not to raise total spending but to prevent it from falling. (...) Yet the amount of imports, and hence the gap in the balance of payments, will necessarily be greater than if the country allowed depression to spread to its whole domestic economy. (...) Under the gold standard, not only were things expected to take their natural course, but a country in the situation described was even expected to accelerate the spread of depression by pushing up its discount rates and contracting credit as gold flowed out. No doubt the gold standard's 'rules of the game' tended to reduce the loss of gold to a minimum; but they did so only by speeding up the propagation of depressions. The offsetting procedure described is precisely the opposite of that which would be called for under the gold-standard's rules of the game. (...) Even in the best days of the gold standard, of course, the rules of the game were not always strictly observed. There is some statistical evidence of "neutralization," on the part of the Bank of France and the Bank of England in the nineteenth century. In the inter-war period neutralization of gold movements by central banks became, in fact, the rule rather than the exception. (...) Though neutralization by central banks was very common in the inter-war period it was nearly always frowned upon; it was widely regarded as wicked and disreputable behavior. (...) it is time to accept it as a normal and respectable procedure" (Nurkse 1945: 11-13).

[16] We should stress that Prebisch states that this is "a hypothesis that should be checked" in other words, "the nature of the income circulatory process at the monetary Center to and from the countries of the Periphery [which] would explain by it [self] the generation of the cyclical global process, with no need for any other reasons, which is not to say no other extremely important reasons exist" (Prebisch 1944c in 1993: 30).

[17] And the fact that the Bretton Woods Meeting and Agreements had already taken place. See Mikesell (1994).

[18] "When the personal incomes of the employed population rise -especially those in the relatively high-income bracket- they do not consume more food, but greater quantities of manufactured products" (Prebisch 1944c in 1991c: 271).

Prebisch then was claiming he was closer to the "classics," since classical economists aimed to observe "reality," "scientifically" (Prebisch 1944c in 1991c: 286) in contrast to those who just merely replicate it.

There is a theory then (an explanation) of the workings of the realm of capitalism under the influence of a conceptual element that would survive throughout the period: the economic phenomenon should give priority to the examination of money, which is the "technical yardstick for measuring values," and has an importance that is "absolutely fundamental in the life of society" (Prebisch in Mallorquin 2006: 55). By the same token, the *descriptions* of the evolution of the cycle that had for some time been devised under the assumption of a "system of communicating vessels" are clearly inadequate:

> For this reason, the theory is incomplete, and incorrect on fundamental points, for one part of the system could not have been theorized about while disregarding the other fundamental part. Which is why I believe that the international theory of the gold standard has to be revised to give it a general character covering the Center, the countries close to the Center, and the countries of the Periphery. (Prebisch 1944c in 1993: 19).[19]

The first part of *La Moneda* (1944c) sets out under various hypothetical scenarios (rising or falling imports, domestic expansion of income, or lack of it, and so on) a series of examples illustrating the development of the economy and the consequences of the circulatory process of income and its reproduction. It points out the sectors' interdependence, assuming different rates of income generation and reproduction in each case. Depending on the phase of the cyclical process observed (contracting or expanding), Prebisch insists that "external or internal influences cause expansion and contraction phenomena greater in scope than the numerical significance of the initial impulse that causes them in the first place" (Prebisch 1944c in 1991c: 250). In every hypothetical model he points out the shortcomings of classical monetary theory (Prebisch 1944c in 1991c: 274). But what he really wants to introduce into his models is the factor of *time*. The time it takes the various different productive sectors to generate new income implies thinking about the time they require to expand or extend productive activity.[20] The notion will mutate into a much more complex phenomenon in the following years, which in my reading subsumes Keynes's concept of "uncertainty."

[19] A year later Prebisch said it was not necessary to look for "two orders of theories", a cycle in the Periphery, and another in the industrial Center, "as two phases are involved, two different aspects of the same international phenomenon. But it is inadmissible to apply the interpretation of one phase to the events of the other, to the obverse, (...) domestic and international economic activity manifested in a continuous process of circulation of income" (Prebisch 1945 in 1991c: 446).

[20] "The *time* in which the process is completed -its *duration*- is of fundamental importance, and the explanation of this point is of interest in gaining a better grasp of the international mechanism and its flaws" (Prebisch 1944c in 1991c: 280).

To the time issue, or that of the rate of income circulation and reproduction, Prebisch adds the thesis that "income growth" in various countries is a function of profits. In other words, this phenomenon would explain the concentration and holding of gold crossing their borders.

One of the first phenomena to consider in explaining the serious flaws in the gold standard scheme is the different import coefficients among countries. In other words, gold holdings do not depend on a country's opening-up or interaction with the international market. They depend instead on the distribution of "total profits" ("réditos totales") between "domestic activity" and "foreign trade" (Prebisch 1944c in 1991c: 290).[21] This is displayed by Prebisch with numerical models for countries with similar, then dissimilar, productive structures, but different import coefficients.[22]

The sterilization of foreign currencies or gold in the upward phase, may diminish the effects of continuous drainage of gold reserves, but do not totally prevent it, particularly if the "gold standard regime" is followed to the letter.[23] This arrangement, which in the long term concentrates gold within certain borders, contradicted the idea that gold was merely a vehicle for carrying out transfers and supporting foreign trade. Prebisch indorses theoretically the existing asymmetry through the idea of the "expansion coefficient," which, according to him, is not the same as the concept of the Keynesian "multiplier" (Keynes/Kahn), as they are each "based on substantially different theories" (Prebisch 1944c in 1991c: 350). Whereas for Keynes the "multiplier" is a constant indicating the amount by which investments or original income have been reproduced, Prebisch holds that his idea of the "expansion coefficient" has "limits." These "limits" have nothing to do with the amount of "saving" assumed by Keynes's theory (Prebisch 1944c in 1991c: 364), but with the "time" elapsing between the beginning of a productive cycle and the generation of fresh income. This period is determined by two elements: "the number of times the money changes hands to produce the income" (*i.e.*, its rate of circulation), and the "amount of money lost at each exchange in imports payment" (Prebisch 1944c in 1991c: 358).[24] What this attempts

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[21] "The incremented income which stays in each country is proportional to its profits [réditos] (...) "it can be proven that the increment of income which stays in each country at the equilibrium point, have between them the same relation (...) That is, the incremented original income is distributed proportionally to the profit of distinct countries considered" (Prebisch 1944c in 1991c: 294).

[22] "Therefore, as gold is distributed worldwide according to countries' incomes and not according to their foreign trade, countries with lower returns and higher import coefficients are put in a much more vulnerable position in terms of fluctuations in foreign trade and balance of payments." (Prebisch 1944c in 1991c: 296).

[23] "There exists therefore incompatibility between an expanding domestic policy or maintenance of domestic economic activity in a downward phase caused by falling exports, and the monetary stability inherent in the gold standard regime" (Prebisch 1944c in 1991c: 315).

[24] "The economic cycle is thus manifested in an alternate movement of income, contracting and expanding in the circulatory process. (...) Whatever the origin of domestic income, it gradually evaporates and is transformed into income of other countries. (...) The extent of which

to explain is, on the one hand, the loss of income leaving the circulatory process via imports in economies like Argentina's, and on the other, the rate at which different economies generate their own income. It is precisely the time factor that explains a certain asymmetry, or "disparity" in Prebisch's terms, in the concentration of gold: economies with low import coefficients that "take a long time" to put back a proportion of their income into the international market, which generated "gold holdings" within their borders, progressively amplified over various cycles. Thus, Prebisch suggests that it is the relationship between "total profit" (the rate at which they are generated) and foreign trade, that explains the process. If we accept that, in "the upward phase" of the cycle "exports grew faster than imports, and the balance of payments was positive, whereas in the downward phase exports fell more rapidly than imports" (Prebisch 1944c in 1991c: 320), then the different rates of circulation of the income and amounts leaving some borders would explain the circular accumulative process.[25]

Given his theory "the greater the profits, the greater the gold holdings," it is understandable that Prebisch would be suspicious of industrialization policies per se in shoring up growth and dealing with oscillations caused by the gold standard (Prebisch 1993: 210). Hence his reference to Alejandro Bunge and his group, and difficulties of adapting to the regime despite a clearly defined monetary policy in traditional terms: "It is often believed amongst us that Argentina's industrial growth would make us less vulnerable to the effects of these international disturbance factors. The belief is totally without basis. I will demonstrate (...) that industrial growth could make us less vulnerable" (Prebisch 1991c: 279), only if Argentina takes into account political and monetary aspects to counteract the "negative aspects" operating under the classical "gold standard."

Prebisch is clearly not interested in the different demand/income elasticities or demand/price elasticities (nor even the terms of trade). Countries, it would seem, are differentiated based on their relationship of global rather than sectoral exchange with reference to a financial Center and its effects. Although *La Moneda* and the later *Concepto...* (Prebisch 1945a in 1993) both conceive of the rate and circulation of money and income in terms of the payment "habits" of the "public" (companies, individuals, the State), and/or of the varying number of "transactions required by each economy to obtain a given amount of income" (Prebisch 1945a in 1993: 223), Prebisch's text (*Concepto...*) avoids any reference to the "quantitative theory of money" mentioned in *La Moneda* (Prebisch 1944c in 1991c: 400). Perhaps even

this substitution takes place has great influence on the evolution of domestic economic activity" (Prebisch 1945a in 1993: 217).

[25] "I can thus prove numerically what I have so often said, namely, that in the downward phase, imports fall less steeply than exports. In this way, the remainder of money is consumed, or the gold and foreign currencies from the positive balances of the preceding phase -which amounts to the same thing in this case" (Prebisch 1944c in 1991c: 354).

more significant than the continuous process of theoretical elaboration is the fact that he does not mention his concept of the "expansion coefficient" in contradistinction to Keynes's "multiplier." As we shall see further on, this notion would mutate into the concept of the "exit coefficient" (Prebisch 1949a in 1993: 464)[26]. Prebisch is clearly still not totally comfortable because he does not stop there. More radically, a year later in 1946, at the *First Meeting of Technicians on Problems of Central Banking of the American Continent*, he stated:

> I am disturbed by the arguments that free competition leads to general equilibrium and to the most appropriate distribution of resources and income within society. I see no correspondence between these abstract propositions and the reality of the economic world. (Prebisch 1946 in 1993: 227)

But by this stage he already perceives that the ontological feature of capitalism is essentially stochastic:

> I have reached the conclusion that all movements in the economy taken as a whole are cyclical in character (...) in the broadest sense, (...) a succession of undulatory movements rising and falling (...) The cycle (...), both in the Center and the Periphery, is the characteristic way the economy grows -the capitalist economy has grown in no way but cyclically. (Prebisch 1946 in 1993: 226)

A Theology for Liberation

The *theoretical* work undertaken in the coming years will be devoted to a "dynamic examination of the economy," because then it was still "in its beginnings" (Prebisch 1945a in 1993: 228). Between August 1946 and early 1947, Prebisch devoted himself to analyzing Keynes's classic work, *The General Theory of Employment, Interest and Money*. It was during this analysis that he made his final theoretical transition of the period.

Though the "practical solutions" proposed by Keynes are indisputable, this does not necessarily mean agreeing with his critique of political economy or its doctrinaire construction,[27] less still with the "dogma" his followers have made of his work, on the basis of which they devise "new theoretical constructions ever further removed from reality as, in my opinion, is Keynes's

[26] I translate "coeficiente de salida" as "exit coefficient," and its contrary movement ("coeficiente de afluencia") as "influx coefficient."

[27] "Keynes has also left behind practical solutions that are independent of his theory and that can be admitted or rejected, while wholly abstaining from it. These practical solutions are of great importance and have not yet been superseded. (...) You will say that there is contradiction in my theoretical position in judging Keynes, and my respect for some of his practical propositions. There is no such contradiction, since accepting an interpretation of reality totally distinct from Keynes's own does not imply seeing the positive side which in the absence of a better one, certain of his practical propositions could have, within certain limitations" (Prebisch 1948a in 1991c: 505).

own construction" (Prebisch 1948 in 1991c: 504).[28] Prebisch insisted that anticyclical economic policy should be defended from a different theoretical perspective. Wherever he could, Prebisch emphasized the divergence between himself and Keynes. During 1947 Prebisch wrote a series of articles analyzing the elementary concepts to Keynes that would later become his *Introducción a Keynes*[29] (almost a glossary of sorts). Prebisch did not interrupt the flow of Keynes's ideas with his own or others' criticisms. He also excluded from the book the more scathing of two negative comments about Keynes made in the original articles;[30] only the following was left in: "What correspondence do these theoretical reasonings have with reality? Keynes's book cannot be said to present a systematic analysis of facts to verify his theories" (Prebisch 1993: 258).

He leaves for another occasion the matter of whether or not "Lord Keynes" carried off "the rational explanation of economic movement, and elucidated the principles it obeys" (Prebisch 1991c: 454).[31] Yet the strategy he was later to embark upon is already very clear here: looking when he could on analogies or "coincidences" between Keynes's ideas and "classical" thought, missing no opportunity to point out that the "multiplier decreases" (Prebisch 1991c: 454) in an open interrelated economic complex due to the fact that some income filters abroad to pay for imports. Prebisch is in fact here reminding us of the asymmetric mechanism he developed concerning the trading relations under the gold standard.

As his account of Keynes develops, Prebisch emphasizes the undulatory wave pattern and cyclical form of capitalism, highlighting its fluctuations, a phenomenon that seems not to have been central to the analysis, says Prebisch, for it is left until the end of the book. However, basing himself on Keynes's idea of "oscillation around an intermediate position," so as to avoid consideration of major serious fluctuations, he advances his own ideas that the cycle and its undulatory form should be seen in a historical, institutional

[28] Much of Prebisch's disparagement with Keynes has also to do with the then ongoing process of the construction of the famous IS-LM "workhorse" that was to dominate economics in the Center countries. Hicks´s original diagram posed the vertical axis signaling interest rates and the horizontal one as total income with a downward-sloping curve (IS) representing investment in terms of changing levels of interest rates, and savings in terms of income, which is intersected by an upward-sloping curve (*LL*) for the money mass demanded which is presumed *fixed*, subsequently redefined as *LM*; see De Vroey and Hoover (2004), for more details see chapter "How Economics Forgot Power".

[29] *Introduction to Keynes*.

[30] "Thus, our author states it categorically, though offering no arguments to prove it other than the ones he has just succinctly mentioned" (Prebisch 1947 in 1991c: 476). See the end of the first paragraph of the *Introducción a Keynes* (Prebisch 1947: 57). It is no coincidence that this jab appears at this juncture of the argument, since it relates to the theme discussing the multiplier. But as we will see, Prebisch's critique of Keynes takes another spin in subsequent years: "his general theory of employment seems to unfold upon a plane independent of the cyclical movement" (Prebisch 1993: 260).

[31] "[Which] I intend to consider briefly in a more encouraging work on the Keynesian system and the economic cycle" (Prebisch 1991c: 454).

sense, not as a "natural law" (Prebisch 1991c: 482). However, Prebisch's critique of classical political economy in general and Keynes's in particular, had already been set up:

> To explain the phenomenon of continuous disequilibrium in reality, Keynes devotes a couple of pages at the end of his work, -the so-called notes on the cycle- in which he makes no use of the results reached in his theoretical discussion at all. He seeks the explanation of the cycle in another vague form. He said that the ascendant phase suddenly collapses with the falling of capital returns, without explaining his reasons nor the relation it has with the phenomena studied in the general theory; that is, as with classical economists, we find that his fundamental theories are unsuited to explaining cyclical reality. (Prebisch 1991c: 506)[32]

By mid-1948, in *Apuntes de Economía Política*[33], shortly after finishing his book on Keynes, Prebisch was shifting the conceptual vocabulary that might almost be described as a "quantum leap." He proposes no less a task than rebuilding "classical" or "traditional economics." The initially timid vocabulary of the course -"to see things with one's own mind" and "to detach oneself from certain foreign theories" (Prebisch 1991c: 495)- is succeeded by a full-frontal assault on the whole apparatus of economics as a discipline. He stresses that only by:

> undertaking a profound revision of classical theory and devising a new theory, rather than attaching a theory on to it (...), might we find the theoretical elements to guide us effectively and wisely in practical action. (Prebisch 1993: 325)

in other words, to reach through "economic policy" that which is nonexistent in reality: "economic equilibrium" (Prebisch 1993: 326). As a discipline (and even morally) economics was in "serious crisis" due to its excessive "exaltation of personal interest as the supreme regulator of economic activity" (Prebisch 1991c: 496). As a "scientific discipline" it was "incipient" and "indecisive." As in earlier days, its critical situation had to be surmounted through reformulation: an "out-and-out effort to renovate it from its very foundations," as it cannot "rationally explain" the way:

> economic movement occurs, the how's, why's and wherefores of economic phenomena. And if political economy has not been able to teach us that, wrongly we could find in her the indispensable resources to act on a reality we don't know (...) therefore the economy is insufficient to encompass, describe and explain the problems of reality to give us the means to act upon her with effectiveness. (Prebisch 1991c: 496).

[32] Introducción al curso de dinámica económica (1948a in Prebisch 1991c) was the first chapter of *Apuntes de Economía política*... (Prebisch 1948d). All the following chapters appear in Prebisch (1993).

[33] As mentioned in the previous note, *Apuntes de Economía Política* (1948d) has been published in parts in Prebisch 1991c and 1993.

If we are to understand how he arrived at his theory of the cycle, we should deal with the brief excursion Prebisch made into the history of economic thought. First and foremost, Prebisch needed to deconstruct the discipline in order to synthesize and conclude the theory he had been devising, and to stress the importance of certain notions that "classical" thinking deemed marginal: time, money, and profit.

Therefore, there is an explanation and a history of the distinct ruptures which the economic discipline has undergone: the first was "provoked by Marx" (Prebisch 1991c: 497), which is essentially a critique on the embarrassing nonexistence of the "inequalities" and "instability of the economic system" but which through the use of an "inconsistent" "theory of labor," became an easy target of classical economics, despite the latter's own limitations to explain these. With Walras and Pareto comes the reconstruction and a "superior phase," whose precision and elegance through mathematics shoved the "body of the doctrine," away from the real world, which was supposedly its task to explain, giving us the "means to act over her" (Prebisch 1991c: 497).[34]

Although Prebisch perceived with pristine clarity differences within the "compact body of doctrines," he keeps the term because according to him there is a series of underlining principles which authorizes its use: (1) the profit incentive under the free forces of competition drives to an "equilibrium" situation and an "optimum of production"; (2) the social distribution compatible with this "optimum" should not be interfered with by ethical or political questions, despite its importance; (3) the absentee state.

Despite the "logical brilliance," the "classical" doctrine has not been "able to explain what happens in (...) the imminent cyclical reality" (Prebisch 1991c: 499): "Historically the cycle is the typical form of growth of capitalism (...) There is no resting point: it ascends to descend, and it descends to ascend once again. (...) In the movement, there is no equilibrium point; the movement is a succession of continuous disequilibrium (Prebisch 1991c: 499).

The search for profit generates the logic of growth described, and which does not achieve "equilibrium." Classical economics cannot be "reconciled" with a reality which is "cyclical." An "optimum of production" is impossible given the upturns and downturn phases and the structure never reaches "full employment" properly speaking, rather "productive forces" are squandered. The instability cannot be reconciled with the doctrine of classical economics and least of all with the way it postulates the "distribution of income" hence the "crisis of political economy":

> it's ineptitude to explain the manner of being and production of the economic phenomenon. In other words, if the disequilibrium of the cycle constitute an inherent evil of the capitalist process, wrongly could we explain the cyclical reality with the classical doctrines which

[34] "Building on thin air" (Prebisch 1991c: 497).

> sustain that the process is conducive towards equilibrium. (Prebisch 1991c: 500)

This does not mean that those doctrines have ignored the phenomena described, but rather that their crisis derives from not confronting the conundrum "scientifically" which meant "jettisoned" the theories "which do not achieve a satisfactory explanation of the reality" (Prebisch 1991c: 500). Adopting instead certain "attitudes" when facing phenomena like unemployment, indicating "rigidities" or "resistances" on the part of the reality like the downturn of salaries, thus eluding confronting the logical faults of the "premises." Even Keynes, despite his efforts to liberate himself of those doctrines, presents a "type of explanation imminently classical" but here the rigidity lies in the notion of "the rate of interest," which does not decrease sufficiently to counter the "decline in the marginal efficiency of capital" (Prebisch 1991c: 501).

Another theoretical attitude assumed by the classics relates to blaming the consequences of the "excesses" and depressions of the cyclical process on the "abus[e] [of] the monetary system" (Prebisch 1991c: 501), or state intervention, and/or customs duties.

The third attitude which Prebisch underlines among economists with respect to the undulatory reality is the "admission of the existence of the cycle" but "attributing" to it explanations sustained on the notion that it is a product of "alien elements," "cosmic elements"; "psychological" alterations which produce optimism or pessimism: that is "alien factors to the economic system" (Prebisch 1991c: 502). The latter liberates the economists of an explanation because apparently it is a phenomenon external to the discipline.

Therefore, Prebisch's first step was to devise a historical explanation for the various ruptures in economic thinking, and in the process pointing the theoretical incongruities of "classical economics," while simultaneously sharing with Keynes's term when referring to neoclassical economists. As a second step, Prebisch would summarize this in his theory of the capitalist cycle, as indeed his own evaluation of the discipline demanded: an "absolutely endogenous theory of the cycle where it is repeated systematically through the very factors inherent in the system" (Prebisch 1949a in 1993: 458).

As we will see later, Prebisch would suggest that the "general cycle" theory should be devised without:

> the false sense of universality from which the major cycle theories have so far suffered, concerning themselves exclusively with the phenomena of Centers, blithely ignoring what is happening on the Periphery, and thus closing off one of the most fertile paths of research. (Prebisch 1949a in 1993: 414)

But the theory must have a "general" character because the capitalist economy grows in a cyclical manner:

> The capitalist economy has grown but in an undulatory form, has moved but in this form and any perturbation to the whole gives an undulatory form to the movement. Therefore, if the cycle is the form of growing and moving of the economy and if the economy moves incessantly in this form, it would seem that all the phenomena of the whole economy, not only those of occupation and production but also those of distribution, should be integrated within a general dynamic theory. (Prebisch 1949a in 1993: 414).

Therefore, it presumes economics should not enclose itself in a "partial field" nor an "specialty"; the explanation of the "overall" economic movement requires including the variations and transformations of the "distribution of the income of the collectivity" (Prebisch 1949a in 1993: 415) during the cycle. Hence the distribution cannot be seen outside the context of the cycle, "outside the undulatory movement" (ibid.).

Prebisch then hoped that the:

> cyclical theory becomes the *only* dynamic theory of the economy, or rather, is the *only* theory of the overall movements of the economy. I do not believe that the overall movements can be the object of a static theory which pursues positions of equilibrium. I believe that the analysis of equilibrium points has no other fruitful field than the study of partial phenomena of the economy. But when it's about the general phenomenon, the equilibrium analysis can only be useful in the initial phases of work as an instrument of work, which serves us to compare reality with that which could be the image of a state of things completely distinct than the one that rules in the world of capitalism. (Prebisch 1949a in 1993: 415, my emphasis)

In spite of its "veneer of logic," "classical" doctrine was not "able to explain to us what happens in an eminently cyclical (...) reality" (Prebisch 1948a in 1991c: 499), the result of the engine of capitalist growth through profit-seeking businessmen, and irreconcilable with classical economics, which describes the process in terms of "equilibria." An "optimum of production" cannot exist when the expanding and contracting phases are systematic. The system approaches, but never reaches "full employment," there being a waste of "productive forces" instead. Instability cannot be reconciled with the body of doctrines of classical economics, still less so with the manner whereby it postulates "income distribution" (Prebisch 1948a in 1991c: 500).[35]

There was one further theoretical strategy among the defenders of classical postulates, which was the least coherent: it postulated an "endogenous" theory of the cycle,[36] but did so "independently of the body of traditional doctrine" and, in contrast to previous attitudes, "incompatible" with the

[35] "Whence the crisis in political economy, and whence its ineptitude at explaining the form and origin of economic phenomena" (*ibid.*).

[36] "A spontaneous logical result of the way businessmen act" (Prebisch 1948a in 1991c: 502).

tradition due to the impossibility of simultaneously arguing that "the action of businessmen" brings "society to a point of equilibrium" and/or to a "continuous succession of disequilibria" (Prebisch 1948a in 1991c: 502).[37] In other words, the postulates of classical doctrine are accepted, but reality is explained from different premises. To underline this "incoherence,"[38] Prebisch brings up the name of none other than Alvin Hansen, which should not astound us when we remember how little "respect" he showed toward Keynes.[39]

By the late 1920s then, political economy was facing the "Great Depression" in a state of "ineptitude" and "theoretical incongruousness." The "deep instability" and "excessive inequality in distribution" found no explanation whatsoever, never mind a strategy to correct them.

This period of the great world depression brings about the "second crisis in political economy" (Prebisch 1948a in 1991c: 503), overwhelmed by the labyrinth of the economic depression, we find Keynes suggesting an explanation that grants a certain place to "economic freedom." Its "practical" solutions are couched in a "theory of economic movement" which had supposedly done away with the principles of "classical economics." Keynes had not therefore "solved the crisis in political economy," neither had he "extricated himself completely" from classical doctrine:

> it is surprising that the two most formidable critics of the classical doctrine (Marx and Keynes) ran into the same difficulty. Marx because he sought to build his whole doctrine and interpretation of capitalism upon the basis of a theory of value inherited from classical doctrine. The Marxist theory of value, which essentially is the Ricardian theory

[37] Further ahead, he was saying the same thing: "the continuous succession of disequilibriums'" (Prebisch, 1949a in 1993: 413). Prebisch claims that, "Of course, no classical economist, ancient or modern, holds that in reality there are equilibriums. What I do want to say is that the system by its own forces that move it, tends toward equilibrium; but that, naturally, external disturbances always intervene to prevent it attaining this equilibrium. I maintain that these disturbances that intervene and prevent it attaining equilibrium, which lend the system its characteristic wave pattern stem from the interdependence of the curve" (Prebisch 1949a in 1993: 462). See graphics at the end of the chapter. For Ralph W. Souter equilibrium involves, "the conception of a continual attempted adaptation toward real equilibrium which is continually thwarted in some degree by the inequality of time-coefficients *plus* the constant emergence of new evolutionary changes" (Souter 1930: 82).

[38] "The very economist who speaks of typical equilibrium has devoted himself (...) to the study of the economic cycle and flits from one thing to the other without the slightest theoretical scruple. (...) in a first part, they have expounded their theory of equilibrium for us with great doctrinaire rigor, and in a chapter on the cycle expound the theory of disequilibrium for us without any concern for the fact that they cannot combine two fundamentally different theories; if the cycle were a mere accident occasionally registered in the economy, it *would* be possible to combine them. But as the economy's way of moving *is* the cycle, the theory of economic movement can be nothing but cyclical" (Prebisch 1948a in 1991c: 502). Possibly one of the best discussions of this set of issues is found in Mirowski (1985).

[39] It was Prebisch himself who called for a "respectful revision of classical theories" (Prebisch 1993: 325).

of value. In respect of Keynes, was incapable of letting go of the mental habits of the classical economists who led him, in his theoretical system, to pursue the search for positions and laws of equilibrium in economics. (Prebisch 1948a in 1991c: 504)

Therefore, what should have been transcended was the "quest for laws of equilibrium," otherwise "constructions alien to reality" (Prebisch 1948a in 1991c: 505) would continue unabated. Prebisch understood why early classical economists were fascinated by theorizing about the "apparent chaos of phenomena" in terms of "precise laws of equilibrium," though these "laws of movement" could also be explained in rigorous scientific terms. However, the rigorous logical system of traditional thought embellished by mathematics had one drawback: it did not "correspond to reality" (ibid.).[40] The "crisis" in "political economy" was due to its inadequacy in explaining reality.

The crisis occurred when political economy turned its back in horror to the "key factor of time": classical economists view it as "contrived," and Keynes as "arbitrary." The discipline's theoretical problem therefore lay in how "to introduce time into their theory just the way it is" in reality (Prebisch 1993: 271).[41]

The absence of the *time* element could be seen in the notions of capital and saving in classical and Keynesian doctrine because it was through the "subterfuge" of the interest rate that it was tackled in theory.[42] The interest rate then was the mechanism through which the saving that "society is willing to supply" matched capitalists' demand to develop capital: according to the demand for saving, the interest rate would rise or fall, and therefore the saving "required" by businessmen would emerge. But Prebisch maintains that, for any given period, the produce requires a certain time to arrive to

[40] "A scientifically satisfactory economic theory would have to explain cyclical movement for us because the type of movement presented to us by reality is a wave pattern, [as well as] the reason [why] the capitalist economy does not take full advantage of its productive factors, and at the same time give us an interpretation of the periodic phenomenon of unemployment" (Prebisch 1993: 303).

[41] "Time is a fundamental element of reality, it is not possible to eliminate it arbitrarily as Keynes does, nor to view it with the subterfuge of classical economists. A good deal of the investment that has been -and still is being- made throughout history has been via a mechanism different to the supply and demand for saving; and a good deal of the saving invested is not the result of what society may choose to do spontaneously according to one of its inclinations or tastes, or the interest rate" (Prebisch 1993: 278). I translate "artificio" as subterfuge.

[42] "I call the interest rate a logical subterfuge produced by classical economists to solve the problem of time because, after long reflection and observation of the facts, I have become convinced that the interest rate does not in fact play the regulatory role in production and distribution that classical economists ascribe to it. (...) the formation of capital in society is quite different, and the interest rate only minimally plays the regulatory role ascribed to it by the classical school. (...) If the interest rate does not perform the functions in the production and distribution of products assigned to it by traditional doctrine, the problem then arises of substituting it with a theory different to the Keynesian one, for such are its inconsistencies that it is not, in my opinion, possible to use Keynes's theory even as an instrument to explore reality, since it also has serious defects" (Prebisch 1993: 278).

the marketplace, and therefore the income in process awaiting products has to be higher than the value of the production of the final consumption. These facts could clearly not be explained with Say's Law, which states that "supply creates its own demand," since it would be contradicting the idea that "demand" should not outstrip supply at the end of the productive cycle. However, classical economists explained this anomaly as being the result of a "saving" made by the community given a certain the interest rate. The interest rate is the subterfuge that facilitates or limits what amount of saving would be used in production in any given period, namely, the total income generated at the end of the process. Any "surplus" would be explained by the existence of the relevant "saving," thus fulfilling Say's law.

Keynes, for his part, tackled the problem of time with a variety of "attitudes" (Prebisch 1993: 275). In one case, Prebisch claimed that, with a falling "interest rate," Keynes went hand in glove with classical economists, but once marginal capital yield did not keep pace with the interest rate (due to a preference for liquidity), then Keynes ditched classical economics behind. Savings were left in liquid form, not invested, and a deficiency in demand arose. Nevertheless, according to Prebisch, Keynes keeps "within the logical game" of classical economics: on one hand, he recognizes "the time factor," but uses the "subterfuge" of the "interest rate" to manage it; on the other, this subterfuge has limits after a certain point (the "preference for liquidity"). In contrast with this "attitude," in the theory of the multiplier, Keynes "denies" the role granted to the interest rate by classical economists and does so without introducing time altogether; saving becomes an altogether different phenomenon than for classical economists. Here, the assumption of simultaneity in saving and investment is not taken into account, and it is simply accepted that saving will come out of the "income from production": this would in turn multiply these "investments" (Prebisch 1993: 276). The very multiplication of income (also the product of investments) would by itself generate a certain level of saving in the community. Saving is a function of the rate of income growth. But Prebisch points out that, for certain investments to produce a certain income, a certain time is required, which otherwise only "confuses" the present with the future. This, according to Prebisch, is precisely the theory of the Keynesian multiplier. Its "logical inconsistency" invalidates "Keynesian theory" (Prebisch 1993: 277) and marks the absolute rift between him and the classical school.

It is the idea of static equilibrium which should be called into question. In this "position," neither businessmen nor consumers are thought of as having any interest in "moving" (nor do savers). The amount saved is the one that businessmen demand from a specific interest rate. Wages too reflect the position where there is no further incentive to work harder or change jobs. Similarly, the price of primary commodities is high enough to keep on working "marginal" lands where the production cost "only just" equals the

"value of the products (the difference in cost in the best endowed or located lands being left as earnings)" (Prebisch 1993: 280). A change in any of the circumstances once again establishes a "position of static equilibrium":

> The concept of static equilibrium is a mere instrument of abstract analysis of the phenomena as viewed by classical economists to gain a better understanding of them. In classical doctrine, one can easily switch from the static to the dynamic. (Prebisch 1993: 281)

If classical economists isolated every latent change and interpreted the event as a happening which could become unstable, then economic reality could be viewed as an "endless succession of disturbances." It was therefore possible to go from the "static equilibrium" of classical economics to a "dynamic" theory of reality (*ibid.*). This theory should be infinite overlaying processes tending to reach equilibrium (Prebisch 1993: 281). But it is the incessant changes which might prevent it ever reaching "equilibrium," even though one might suppose that "abstractly speaking," the disturbance itself is the point of "equilibrium." Prebisch offered a definition incorporating the very paradox of the economic reality he was attempting to describe: only if a certain limit-point is viewed abstractly in the sense that its disturbances "end," can we speak of "equilibrium" in the economic system, which will, nevertheless, be unachievable.

According to Prebisch, this explains why classical economists did not elaborate "a dynamic" or "general theory": they presume that the disturbances themselves lead to equilibrium, and this excludes any reflection about "how it is reached" (Prebisch 1993: 282). A general theory could "be constructed" but it would suffer from the "fundamental vice of the theory of static equilibrium," namely, its "mistaken conception of saving, and the subterfuge of the interest rate" (Prebisch 1993: 282). As the "theory of static equilibrium" starts from mistaken premises about reality, a theory of "dynamic equilibrium" would also suffer such consequences. "What we need then is a dynamic theory that explains movement, gives us laws of movement, and does not get bogged down in the quest for laws of equilibrium which does not conform to reality" (*ibid.*).

Prebisch then moved on to present the way the interest rate was conceived as a regulator of production and distribution. First, he showed how businessmen require an incentive to transform techniques to mutate into "Professor Schumpeter's" classical businessman (Prebisch 1993: 283). Only in this way will he seek out higher levels of saving, while paying a higher interest rate given the proportion of profit achieved in the new productive arrangement. Businessmen therefore require saving to put population growth on a level with a corresponding employment. "Profit" is the businessman's "prize." Due to technical innovations, he lowers production costs, which will eventually be matched by other businessmen. This makes "profit" a "temporary" thing. Competition pushes up wages or prices fall, so that "free competition transfer[s] to society the fruit of technical innovations which,

during the transition period, is held by businessmen in the form of profit" (Prebisch 1993: 287).

Once businessmen have made their investments concrete, the intensity of demand for greater savings evaporates, which had previously expanded due to a rising interest rate (a consequence of the businessmen's earlier "creative" drive). This would in turn generate a fall in the interest rate. But this new equilibrium in the interest rate entails the existence of profits for businessmen because of the new fruits of technical progress.

Prebisch then outlined a series of scenarios in which businessmen chose to use the same interest rate, without trying to alter it to make new investments. But there will also be businessmen looking for greater investment per head, who would reduce the employed population, and drive up the interest rate. And although, in the latter case, society loses out because "there are fewer products and unemployed people" (Prebisch 1993: 291), businessmen usually choose this situation because it gives them greater incentives to profit.

But in this case the classical school would say that, if wages are not fixed, their levels will fall, and with it the demand for workers will grow once again, reaching a new point of equilibrium. To put it another way, wages will pay for the costs of the higher interest rate required so that savers supply a growing amount.

One cannot here talk about a point of equilibrium because, as production is transformed by new technical inputs, the demand for workers will grow, raising the level of salaries, on the one hand, while on the other, reducing prices with greater production. Over time this will reach equilibrium, compelling "profit" to disappear, thus favoring "society."

Prebisch concludes that the classics maintain that unemployment is a means of reaching a new position of equilibrium by lowering wages sufficiently for businessmen to (a) obtain the minimum profit to induce them to extend innovations until unemployed is absorbed, and (b) pay the highest interest rate demanded by the market for additional savings (Prebisch 1993: 292).

It is therefore a *temporary* impairment which is surmounted when equilibrium is reached, where profit evaporates and the "interest rate falls as the supply of saving rises by virtue of the increase in savers' income" (*ibid.*).

These examples aimed to underscore the process described by classical economists, as they facilitate exposition of the theory of "cyclical movements": in classical and Keynesian models the "dynamic phenomena of reality whose disturbances prevent" equilibrium being reached are forgotten. Thus nothing prevents in the classical model, in which "businessmen themselves use their own saving for investment," so as not to resort to the market or putting pressure on the interest rate: "They may lend to each other, and if the marginal yield is lower given the interest rate (once profits are withdrawn), they will prefer to lend their saving" (Prebisch 1993: 296). Keynes's stance is different because, when there is unemployment, "saving" inhibits accumulation, and therefore

the income multiplier. Equally, Keynes overlooks the reasoning of classical economists of the transitory period, in which wages are supposed to fall to achieve full employment. However, as "saving" is a "spontaneous" activity and requires a specific incentive to raise its total amount, there would seem to be no explanation as to how to achieve a lower interest rate to drive up investment.

Prebisch says that this is where Keynes parted company with classical economics, especially for maintaining that the "*interest rate is a conventional phenomenon* and is within the reach of the Banks" (Prebisch 1993: 297). It can also be manipulated to reduce it and induce higher investment, which will in turn generate the corresponding savings, "until a new position of equilibrium is reached" (Prebisch 1993: 298). Therefore, the way of thinking about money creation, or its way of inducing a certain interest rate is, according to Prebisch, a "real revolution" (*ibid.*). Keynes maintained "just the opposite of what the classical school held," but through the creation of money or "using inactive money, the equilibrium of the multiplier is not reached, instead, we go through the typical phases of the cycle, which neither Keynes nor classical economists have been able to explain because their reasoning is so artificial and arbitrary" (Prebisch 1993: 298).

According to Prebisch, at the beginning of the cyclical upswing, the supply of saving is meager because recession is still being felt. This means that businessmen do not have the "option" of using the spontaneous "saving" assumed by classical economists unless they raise the interest rate considerably. Instead, a process of money creation by businessmen occurs:

> The typical manner of accumulating capital consists in increasing the money supply. The businessman does not go out looking for saving, except to a minimal extent. (...) most fixed capital investment is covered *indirectly* with a rise in the money supply, not by turning to the market. (Prebisch 1993: 299).

In contrast to what classical economists say, the rise in the money supply which makes technological progress possible does not allow prices to come down.[43] Such a process involves a wage reduction, but not to be able to pay a higher interest rate in order to cover the growing "demand" for saving through investment, as classical economists believe:

> but to compel those paying the highest prices to save, and shift this saving to the businessman (...), it is not the result of a mechanism of incentives and preferences, but of a mechanism of compulsion. This is what happens in the capitalist reality. (...) Except that one does not arrive at the equilibrium of the multiplier, but the typical phases of the cycle. (Prebisch 1993: 300)

[43] "It is through price rises that consumer items are transferred to those responsible for the formation of capital. The saving market has only a supplementary function. The increase returns to businessmen in the form of profits, thus again performing its function in the accumulation of capital" (Prebisch 1993: 300).

The classical mechanism of the transference of savings is alterable and, by not being "complete," loses the function assigned to it by classical economists. What Keynes advocated is then what happens in the capitalist reality, with one difference: that, instead of reaching a new position of equilibrium, "this way of covering investments" leads "to the typical movement of the cycle that characterizes reality" (Prebisch 1993: 301). This phenomenon also reflects the characteristic of capitalism mentioned by Keynes: "economic instability" and "inequality of distribution." On the other hand, saving in the "collectivist economy" is identical because businessmen collectively raise prices, or stop them from declining, after bringing about a transformation in production.[44]

Prebisch moves swiftly on to describe human history as one in which certain "groups and dominant classes" have made use of a variety of instruments to set up a distribution favorable to its regime: under capitalism the "monetary" instrument is privileged. However, the fact that the process is different under collectivism does not necessarily guarantee that inequalities are abolished. All regimes make use of certain monetary instruments "to favor dominant groups" (Prebisch 1993: 303).

To summarize, the savings "interest rate" level has a regulatory function both in boosting productive activity to optimum levels, and in the "distribution" of income. There is no room for unemployment in classical economics where, given free competition, the economy tends to the "optimum." Unemployment is a phenomenon of "system rigidity." Optimum production requires a certain amount of market savings, and if the amount required is not forthcoming at the existing interest rate, higher costs means a reduction of wages ("temporarily"), to allow businessmen to afford the rate in question. In the classical mechanism, this was achieved by displacing the workforce, which would lead to lowering wages, and paying a higher rate of interest. In the event of lower wages not being accepted, there would be unemployment. Unemployment is a phenomenon of "system rigidity." But this possibility also finds a place in the classical system (a case only Keynes considers) thus completing the system, and still "remaining classical" (Prebisch 1993: 305), but equally far removed from "reality."

Nevertheless, Prebisch would accept the classical postulate about how capitalism transfers the fruits of technical progress, either via wage increases or a price decrease. But "the process by which this transfer has occurred, the time it has taken, and its quantity are, in my opinion, different to those postulated by classical theory" (Prebisch 1993: 311).[45]

There was also the classical and Keynesian coincidence in terms of the

[44] "And one wonders," says Prebisch, "whether handing this instrument of inequality from private hands to the hands of the State is enough to lead us to the conclusion that inequality has disappeared" (Prebisch 1993: 302).

[45] "Income that, at different stages in the process, businessmen pay to the productive factors employed by their companies" (Prebisch 1949a in 1993: 417).

phenomenon of short-term unemployment. This involved an abundance of manpower and temporary shortage of capital. The explanatory difference between classical economists and Keynes regarding the phenomenon would lie in the "remedy" and its correction: classical economists advocate a fall in wages, while in Keynes it is attempted by "lowering the interest rate."

With its conception of money as a mere "veil," classical theory obscured its prime importance. Classical doctrine's idea of isolating "money" presupposed that it could be studied independently of productive and distributive phenomena, and that "it intervenes without affecting either the nature of the phenomena or the laws that guide them toward equilibrium" (Prebisch 1993: 317). Money therefore adapts to economic evolution, and with this system in "equilibrium," it made analysis of the monetary phenomenon superfluous.

If for classical economists' inflation was a "pathological" aspect, for Prebisch "certain inflationary seeds" that "upset the tendencies to equilibrium" (Prebisch 1993: 319) were part and parcel of capitalism. It was really their way of making abstractions that led classical economists to certain theoretical errors because they believed that various partial aspects could reach equilibrium in themselves and as regards to the whole. Positing a theory "closer to reality" (Prebisch 1993: 324), Prebisch suggests that the increment in money systematically affects the "three planes" of economic reality (a theory of production and distribution, a monetary theory, and a theory of international trade), identified by classical economists, which culminates in his theory of the "wave movement." In this case there are "disturbances" that lead to "a series of actions and reactions that are in fact those that give economic phenomenon their characteristic wave form" (*ibid*.). Their "laws" are different to those that supposedly lead to "equilibrium." It is the "interdependence" between different economic spaces which makes of the process a wave phenomenon and makes it imperative to discard classical theories.

It is both ironic and unfortunate that Prebisch never considered the Keynes of *The General Theory* as a possible theoretical ally, but rather as a special case within neoclassical economics, the so-called "neoclassical synthesis."[46] Given the importance of money and money creation in Prebisch's model (also, paradoxically, a crucial topic in Keynes, as is nowadays being recognized) when it comes to understanding the cycle and capitalism, it is the Keynes of the *Treatise on Money* whom Prebisch exhibits as constructive for his own

[46] According to Jaime Puyana Ferrara: "It is clear that there was a very solid trust in the analytical instrument available, particularly in the formal interpretation of Keynes, as outlined initially by John Hicks and Alvin Hansen in the late 1930s. It was mainly through this interpretation, better known as the IS/LM model, (...) that key aspects of Keynes's thinking were eliminated, making him a very special -almost aberrant- case in a much broader theoretical approach whose roots are deep in general Walrasian equilibrium. (...) It comes as no surprise therefore that this construction has been christened "neoclassical synthesis" (Puyana 1992: 25). See also Guillén (1990: 17).

theoretical development up till this stage, all the more so because he then identifies him as a follower of Wicksell:[47]

> If we go back to the *Treatise on Money*, we will find that his reasoning over the economic process and the cycle is fundamentally Wicksellian (...) I would not know how to explain (...) the reason for such an abrupt change in Keynes when, a few years after the *Treatise on Money*, he switches to *The General Theory*, forgetting everything he had told us about Wicksellian theory, and the economic cycle to go and get himself hopelessly tangled up in the theory of the multiplier, thus spoiling the value of his contribution to economic phenomena (Prebisch 1993: 326).

Prebisch then sets about integrating monetary theory and the theory of production. He lays out the shortcomings of the classical theory of money, showing that, faced with an increase in the money supply (assuming the economy is at a point of equilibrium), it is correct to deduce an increase in prices. This is explained by the hypothesis that there is a "proportional relationship between price movement and the amount of money" (Prebisch 1993: 327), which signifies a new "position of equilibrium." But given the assumption of full exploitation of resources from which its starts, "prices rise or fall" without affecting production. But a disturbance of this nature "makes the amount of businessmen's profits vary and leads them to expand and contract production, distancing them from the position of equilibrium postulated by classical theory" (Prebisch 1993: 328).

If full employment of factors is assumed, the increase in the money supply undoubtedly:

> pushes prices up: Keynes starts from a position of insufficient exploitation of resources, and assumes that the increase in the money supply only pushes up production without having a bearing on prices, except where the production cost for the diminishing labor yield pushes up prices (Prebisch 1948b in 1993: 330).

However, this is an arbitrary starting point because, as the "economy

[47] Gottfried von Haberler: "the process of monetary expansion by way of reciprocal stimulation of consumption and investment -the so-called Wicksellian process" (Haberler 1937: 306). A good synthesis of Wicksell's ideas can be found in Pribram: "Wicksell's dictum that any theory of money worthy of the name must be able to show how and why monetary or pecuniary demand for goods exceeds or falls short of the supply of goods in given conditions. The consideration implied a repudiation of Say's law of markets, since the validity of that 'law' was predicated on the assumption that demand for and supply of money were equal. (...) Wicksell questioned the traditional relationship which had been established between the volume of money and the volume of exchange transactions as a means of defining the price level. In support of these doubts he pointed to the observation that the loan rate of interest had been low during periods of low prices -periods of limited supply capital supply -and had been high when the supply of capital was obviously abundant and prices were rising. (...) Wicksell attack[ed] (...) the almost generally accepted 'banking principle,' according to which the supply of money was automatically adjusted to the requirement of the economy when the prevailing rules of short-term lending were strictly observed." (Pribram 1983: 323)

approaches full employment, it is due precisely to a series of phenomena in which monetary expansion plays an important part" (Prebisch 1948b in 1993: 329).

Full employment is something "fleeting" and, in this respect at least, Keynes is closer to reality than classical economists, otherwise productive capacity could not rise. But in contrast, Prebisch holds that growing production involves price rises.

Classical economists are wide of the mark because the nearest thing in the capitalist reality to full employment is when "monetary expansion" occurs. The Keynesian position misses the point too because, despite assuming the existence of unused resources, monetary expansion increases both production and prices, and this trend does not necessarily lead to equilibrium.

The "intimate relationship" between production and the monetary can be visualized, according to Prebisch, in the "the cycle's upswing," where it can be seen that the:

> increase in the money supply tends to simultaneously expand production and prices (or stops them declining to the extent that they would fall due to falling costs arising from technical innovations, under a regime of free competition). This process gives rise to business profits, and the sequence of actions and reactions. (Prebisch 1948b in 1993: 330)

In other words, it is typical of the capitalist cycle. The core of Prebisch's explanation assumes an understanding the variations and global quantity of profit. Profit is a consequence of the successive processes of money creation used during different periods to form or cover the costs of forming capital. It follows a different logic than the simple use of "savings." If, for the time being, we exclude the phenomenon of increases of money filtering through to other economic spaces, the function of money left in a given space is to "absorb" the "increase in finished consumer production" (Prebisch 1948b in 1993: 332).[48]

The process of the capitalist cycle, according to Prebisch, requires an "excess" of the "increase in the money supply" in relation to the increment of production, which in fact defines its form: prices rise (preventing the incorporation of declining prices as a consequence of productive improvements) under a regime of competition. The "origin" of and reason for the quantity of "businessmen's profit" is then due to the fact that the "increase in the money supply is thus responsible for businessmen's profit, and makes its quantity to vary, with major repercussions for the economic process" (Prebisch 1948b in 1993: 332).

Prebisch thus refuses to accept that the mechanism of "savings supply

[48] "In other words, that part of the increase in the money supply left in the economic space is higher in the cyclical upswing than the amount of the increase in production which is gradually stored from new investment" (Prebisch 1993: 332).

and demand" assumed by classical and Keynesian theories is so important. The "increase in the money supply" is actually the method used (instead of "savings") since at the lowest point of the cycle, businessmen find themselves with relatively "large quantities" of money "inactive in their bank accounts" (Prebisch 1948b in 1993: 333); they do not require to use the market for savings which might actually "force upwards" interest rates." There is then a paradoxical phenomenon at the lowest point in the cycle: savings are in short supply, "but there is an abundance of money (a very important distinction indeed, for, where there is no savings but an abundance of money, money is used by businessmen in substitution of savings to make investments" (Prebisch 1948b in 1993: 333).

When the net increase in the money supply "decreases," or its rate of expansion decreases and is "insufficient to absorb the increase in production, at the prevailing prices", the "decrease in prices" is not automatic. There are "obstacles," otherwise we would be back in the realm of classical economics. The situation assumed by this perspective, where profits have completely disappeared, is a stage unreachable because in the capitalist economy profits are "irreversible," (Prebisch 1948b in 1993: 336), in other words, they cannot be "shrunk." This becomes clearer when we are told that profit does not "blossom" in the last stage of production and sale of the produce in question, but that it had been generated previously over several productive stages by various businessmen as it approaches culmination in the final consumer. In other words, in terms of Marx's metaphor about "the *Salto Mortale*" of commodities, this event has already occurred before reaching the marketplace (profit is materialized in product prices).[49]

Therefore, what halts the continuation of the cycle, is a relatively insufficient demand, a result of a *slowdown* in the increase in the money supply in terms of the increment in production. As profit, "accumulated by businessmen," is not "confirmed," the economy contracts, and the typical phenomena of

[49] "but there is one fundamental difference between the value of the products in process that are created at each stage, and their respective income. The value created at each stage is not the value of an immediately consumable product. (...) It therefore involves a series of values that are gradually added, but that are not immediately consumable until the productive process ends. However, the income businessmen pay one another and those paid by the productive factors at each of the stages, are immediately expendable, and can immediately be transformed into demand for finished articles. The producer of raw materials paying income to factors and receiving profits can spend this income immediately, long before the final production of consumer items manufactured with the raw materials that he himself produced has appeared in the marketplace. (...) In this fundamental difference between the nature of the created value, which is not immediately consumable except at the end of the process, and the nature of the income paid, which can immediately be transformed into demand, in this difference between the two phenomena [on the one hand, production, on the other, circulation] lies the germ of the wave movement." (Prebisch 1949a in 1993: 417). "There are various businessmen distributed across the various different phases; and no one waits for the final sale to liquidate the profit by distributing it among participants in the process. Businessmen pay each other profits in advance of the final sale; (...) set precisely by the duration of the process. We are again faced with the *time* factor" (Prebisch 1993: 338, my emphasis).

the "downward slope of the economic cycle" (Prebisch 1948b in 1993: 338) begins. If the net increase in the money supply cannot guarantee the increase of production, according to the value of supply, one cannot turn back and reimburse the profit received: the phenomenon is "irreversible."

The growing stocks held by businessmen indicates that it is necessary to reduce production, and thus initiate the cyclical downward trend.[50] However, if for classical economists profit (the result of cost reduction) decreases with competition, for Prebisch competition does not have "any influence on the general amount of profits in the economy as a whole"; it is set "*exclusively* by the difference between the increase in production and that part of the increases in money left in the economic space" (Prebisch 1948c in 1993: 355, my emphasis).

This does not mean that competition is not important, rather its function is not to "lower the amount of total profits set by other factors, but to establish how profit is distributed among businessmen" (*ibid.*). The quantity of profit is set by both phenomena: productive and monetary activity -competition does not alter the "*quantity* nor the variations" but their distribution "within the group of businessmen" (*ibid.*). On the other hand, profit is "concomitant" to the phenomena of the cycle and "has nothing to do with the free competition" (Prebisch 1948a 1993: 355) of businessmen, regardless of the decrease or increase of the profit which is determined by the competition between them.

According to Prebisch (1948a in 1993: 357), in the "real economic movement" during the cycle's upswing, prices rise at the expense of real wages, and their decrease does not obey the classical thesis that this is done to pay a higher rate of interest to savers; rather, it is "to allow businessmen to carry out their own savings with the profit from price rises, that is shifting savings from the rest of society unto the businessmen" (Prebisch 1948a in 1993: 357).

Conventional theory considers other agents as the sectors that save to undertake technological innovations, supposedly motivated by a higher rate of interest. For Prebisch, different sectors of the collectivity:

> are *compelled* by the system to save more so as to make the investments. These are undertaken yielding fruitions, which is a higher productivity. How is this fruit transferred in reality? In the classic scheme, by the competition, translated in raising salaries or a decrease of prices. In reality, this transference exists with more or less intensity, depending the circumstances but not through competition but rather during cycles' downward phase. Just as during the upward phase prices rise above nominal salaries, and therefore, real salaries decrease with more

[50] "If profits were reversible or only occurred at the final sale, investments could even conceivably fall without causing disturbance, since prices and profits would fall as increases in money supply that had earlier made both rises were reabsorbed" (Prebisch 1948a in 1993: 339).

> or less intensity, and even making plausible investments in a determined cycle without a perceptible lowering of real salaries, which by itself is sufficient for the businessmen given the high productivity increase; during the downswing, the cycle's inherent forces of its movement generate a lowering of salaries by much less than prices (...) While prices decrease with salaries declining at not the same intensity, the worker gets transferred the fruits of technical progress. Free competition does not perform the distribution role which the classic scheme attributes to it. In synthesis, in reality salaries decline because of price rises, not to draw a higher savings from the high-income sectors by means of a rise in the rate of interest but rather so that businessmen can *compulsively* accumulate the savings of the rest of the collectivity. (Prebisch 1948a in 1993: 357, my emphasis).

Prebisch insists that the justification of profits, and the theory thereof, in its classical sense or his own postulates cannot be confirmed given that "objective elements" are few and far between. It is therefore a matter of a political or ethical posture. Its un-demonstrable how far "competition" would keep on lowering the profits of "businessmen who have undertaken technological innovations" (Prebisch 1993: 359) because this "reality" has never existed:

> and the theory does not allow us to measure the magnitude of a phenomenon that is not tested in the real world. Nor could we ascertain the scope of the businessman's incentive (...). We cannot say, for we utterly lack any objective elements for doing so. The only thing we can say at this stage is that profit has a different origin than that stated by classical theory; that its quantity and variations are determined by the increase in money supply and production (...), but we cannot ascertain how far profit is justified or not because, from an economic perspective, we lack the elements of judgment to demonstrate this. (Prebisch 1948a in 1993: 359)[51]

Furthermore, if an aliquot of profit is absorbed to varying degrees by most businesses according to their innovations, then we can no longer speak of "profit as the prize of those who have introduced technical innovations" (Prebisch 1948a in 1993: 359) without forgetting the existence of so-called called "free riders." There can be no such principle by means of which businessmen can exert a proportion of the profits by claiming "to each according to his innovations" as it were.

Equally, the wave form capitalist reality, driven by the specific structure through which the economic ensemble grows, and through businessmen's decisions, cannot be justified. We may complain and object or not, but economics, cannot justify the *compulsive* mechanism of savings in action, given the nonexistence of equilibrium, equality or "optimums." The only

[51] For modern discussions of the accounting illusions of the procedures see Mirowski (2007, 2010), Felipe (2008), Felipe & McCombie (2014, 2019).

thing which can be said is that average profit is the prize of businessmen who "introduce innovations," and it is the "minimum incentive that the other businessmen require in order to go on" (Prebisch 1948a in 1993: 360) expanding production. But one cannot ascertain "how far technical competition would change technical results" or "what the minimum incentive of businessmen would be. Only experience will tell" (*ibid.*).

Prebisch underlines that, although capitalism requires a "compulsory" mechanism guaranteeing society's savings during the "cyclical upswing," its concept of "forced savings" should not be imagined in terms of "plundering" some to "give to others" (Prebisch 1948a in 1993: 360), for on occasions "profit" can be null and void, and it is *businessmen* who "begin to use increases in money supply which push up prices and move consumer articles from certain sectors to others, generating profit." Therefore:

> what businessmen take is precisely what is due to them, since they were working without profits and now [that] the increase in money supply is engendering them (...) this is the incentive that must stimulate them to introduce innovations and increase production. (Prebisch 1948a in 1993: 361)

In other words, during the upswing there are transfers, but it cannot be said to "what extent businessmen take from the rest of society what is due to them as a prize or incentive, and what is not due to them" (Prebisch 1948a in 1993: 361). Therefore, Prebisch's theory does not "enable us to say what profit is justified" either; rather it compels us to undertake a "decision" as to our postures with respect of the "Other" given the existent power asymmetries.

If we assume that economic spaces are always linked by "influx" and "exit" currents of income, another mechanism presents itself through which income filters, and reduces the "net increase" in money supply in one of those spaces. This is the thesis of "doctrinaire economists" (Prebisch 1993: 367) who, basing themselves on the "brilliant" ("Ricardo's theorem of comparative costs") prove what should be imported and/or exported between certain countries, or what should be produced locally. Prebisch, however, holds that this reasoning is only true from the static point of view," in other words, "when it is shown (...) that the protection of **B** is an economic heresy: [for] it would use more labor, and primary income would be lost by seeking to produce directly what one can obtain indirectly under better conditions (*ibid.*).

But in dynamic terms, a certain level of protection between countries **A** and **B** can bring about significant changes because a "net loss in **A**" can be a "net gain for **B**" (Prebisch 1993: 368). But this will not always be true, as it will depend on how **B** reduces its "Ricardian loss" (*ibid.*). And if we also take into account the fact that **B** has been "subject to the cyclical fluctuations stimulated in **A**, having achieved a more stable production even if costlier, involves increasing the net gain" (Prebisch 1948a in 1993: 369). Here we are back to the "gold standard" disparities-power asymmetries described by

Prebisch early in the 1940s, but with a distinct vocabulary toying with the idea that **B** represents a "group of countries" (Prebisch 1948a in 1993: 368)[52] testing out an industrialization process. He also points out how unjustifiable and untenable is the posture of deploying "the classical theory of international trade" in order to restrict protectionist policies in the **B** countries, as executed by "United States of North America" (Prebisch 1993: 373), whose violation of "rules of the game" was never-ending.

The Eternal Return: Time and Asynchrony

This was the context in which Prebisch would make his qualitative theoretical leap, leading us to the Center-Periphery theory he expounded in a series of lectures in México eight months after his course *Apuntes de Economía Política* (1948d in 1993), the title of which read *Teoría Dinámica de la Economía (con especial aplicación a las economías latinoamericanas)* (1949a in 1993). If on this occasion Prebisch is slightly less vociferous in his critique of the history of economic thought, he nevertheless salvages and expands on his earlier theory of capitalism and profit.

The "countries" "found in the Periphery of the world economy,"[53] display the effects of the cycle, whose characteristics are:

> different from the ones it has in the big Centers. There is a very clear-cut division of functions between Center and Periphery. The theory is to explain the workings of the economy between the Center and the Periphery, and the close connection between the two. (Prebisch 1949a in 1993: 413)

The notion of "the laws of movement" forced Prebisch to specify his conception of *time*, and the reason for its effects: the "wave movement." This could be defined using the narrative which points to "time-lags," but then we will mislay the essential forces at hand. Forces driven by a desire of profits, a notion of the appearance of profit in a context of power asymmetries ("disparities" is Prebisch's term), a power whose force generates movement, which in the last instance crystalizes as "time disparities" (power disparities) between the time of the productive process and the time of the circulatory process, generated in the process itself. I believe that Keynes's notion of "uncertainty" can be subsumed under this general description of the process, since the intervals or the metric of the "units" of time cannot in themselves be deduced in advance: the "construction" of these "units" compose the antagonistic element of the choice-decision of the agents in the context of the (power) asymmetries in question. Hence Shakespeare's expression "time is

[52] For a presentation in modern vocabulary of the case outlined by Prebisch, see Cypher (1998).
[53] "I will take it that the primary production stage takes place in the Periphery, and the other stages of elaboration and outlay at the cyclical Center. This is not the only characteristic of cyclical Centers; there are others (…) I mean that a cyclical Center and a Periphery can be contained in one and the same country, as in the United States, which has a large Periphery, unlike what happened in the British cyclical Center, which had the world economy as a Periphery" (Prebisch 1949a in 1993: 449).

out of joint" is an irreplaceable representation.[54]

The disparity in these "units" of times is what gives us the cyclical movement with its alternating prosperity and depression. Even "under the most 'perfect' free competition and a total lack of State intervention in the economy," the wave phenomenon will necessarily occur "due to the time disparities" (Prebisch 1949a in 1993: 416). Agents are under real or imagined asymmetric power-time horizons.

If we accept Prebisch's assumption that the incomes being paid currently are greater than those corresponding to today's completed production, then what he is underlining is the asynchronies between the productive and circulatory processes, between the appearance of liquid resources in the marketplace and products, which prevents there ever being a "perfect equilibrium between the total overall demand for income and profits paid, and global supply (the value of the finished items)," for then one would have to assume "equality between the time of the circulation process of income and profits, and the time taken by the entire production process" (Prebisch 1949a in 1993: 418).

Therefore, the money or the final "demand" paid today relates to an income which was paid long before today's market transaction, or the actual production in process during the same day. In Armando Di Filippo's words, there is an "asynchrony" (Di Filippo 1981: 54), and therefore:

> there is no automatic mechanism in the economy, however perfect free competition, that assures a perfect correlation between the time of the value formation and the time of the circulation of the income generated in the productive process when these values are created (Prebisch 1949a in 1993: 419).

Starting out from this asynchrony, Prebisch would present the model of a world economy between the Periphery and the Center, which in turn forced him to explain expanding and contracting phases, in other words, the reason for the changing tempos of the world economy.

This he attempts in a simple graph (see graphics at the end of chapter): a series of curves which we could think in terms of three rollercoaster wagons starting out one after another and which we will call **IP**, **RI**, and **PT** ("paid incomes = production in process," "returning income = demand", "completed production" respectively) (Prebisch 1949a in 1993: 419).[55] The

[54] Or Jorge L. Borges (1944).

[55] The curves are shaped like sine waves and slopped indicating the different times at which they begin (horizontal plane) and vary in "amplitude" from one to the next. See my adaptation of Prebisch's graphics at the end of the chapter. Perhaps there is only occasion in which Prebisch appears to be flirting with "geometrical" deductions as to the "height" and base of the curve; "the excess of circulating capital is represented by an amount equal to the *vertical distance* between the point of conjunction and the point of income. Before the demand would be above of production. Hence businessmen were being stimulated to increment production for which they would initiate developing a circulating capital, and from which, in time, a future

brave occupants of the cars **IP** and **PT** speed up their movement, amplitude and steepness of their ride which will always be more intense than for those occupying the RI, the "weaklings" wagon.

These wagons or curves advance uphill in parallel until they reach the points at which they cross paths, or as Prebisch calls them, the points of "conjunction." It is only at this instance that the wagons' occupants can wave at each other; from then on, the speed of the trajectory changes. This representation tells us that when the "demand" curve (wagon **RI**) finally reaches the supply curve or "completed production" (wagon **PT**), the latter maintains up its upward momentum, whereas demand slows down and bottoms out. Meanwhile, the paid income curve (wagon **IP**) is still on its way up. Then, as the curves approach their peaks, the representation of the cycle begins just as this curve (**IP**) is showing a tendency to level its movement, and the wagon's occupants' yell. After a "while," the occupants will be able to wave at each other once again (a new point of conjunction). This is where demand (wagon **RI**) bumps into "completed production" or supply (wagon **PT**) once more, which in contrast with the first moments of the expanding cyclical process, demand exceeds completed production.

This again inaugurates the cycle, and a new line of passengers repeat their rides (those inhabiting the Center can repeat several times in the "period" which takes those in the Periphery to complete just "one" ride), and once again the waves of the occupants as their wagons cross each other: it is the disparity (asymmetry) in the *time* taken to complete the cycle which explains why they cannot wave at each other at a point of "equilibrium," bearing in mind income paid and overall gross production.

When the movement is represented through the respective origins of paid income or demand (Center and/or Periphery) and the respective productions, we can see that, unlike the Periphery, the paid income=demand curve of the Center always "exceeds" completed production or supply: in the Periphery the curve of its demand always displays an "insufficiency" in terms of the completed production curve. The Center's "excess" is the counterpart of peripheral "insufficiency." If observed from the Center, the "point of conjunction," which can be seen in the cycle in its expanding phase, indicates that this "excess" of demand gradually disappears, and is outstripped by the completed production curve, which continues upward as the demand curve flattens away (Prebisch 1949a in 1933: 456). We don't know in advance where these curves may actually intersect each other, these aspects of the time-power asymmetries, are the flip side of Keynes's notion of "uncertainty,", which Prebisch does not discuss, but which requires his ideas on time-power disparities.

Prebisch starts from the idea that, during the "cyclical upswing," paid

production would result (Prebisch 1949a in 1993: 485, my emphasis); in other words, generally he evades talking about "minimums" or "maximus" of the curve (s), given the power-time asymmetry of the agents-countries in question, which means diverse and asymmetric "time periods," this aspect of his ideas has being generally lost to modern interpretations.

income "for businessmen" is always higher than completed production (the "demand curve exceeds supply"). This process is reversed after the point of "conjunction." Demand outstrips supply because:

> the time of return of the income paid by businessmen is shorter than the time taken by the productive process. Therefore, before completed production flows in, it is outstripped by income. (Prebisch 1949a in 1993: 420)

It is the decline or the accumulation of stocks which spurs on expansion or contraction, respectively. But completed production or supply always trails behind the contraction of income in both the upswing and the downswing. The conditions of contraction and expansion are generated at these two points of "conjunction", on the upswing or the downswing. This means that "disequilibrium" is inseparable from capitalism's growth logic: one "goes alternately from a situation in which demand exceeds supply" (Prebisch 1949a in 1993: 421).

The "Center" and "Periphery" divide is central to understanding the economics of "our processes." The origin of a certain demand and the place where certain values are generated has distinct effects for their respective roles due to the varying amplitudes and rates displayed within each economic space. The Center will always have an excess of demand whose shrinkage takes "time," which depends on the amplitude and rates of the time disparities of the return of income in question. I should mention that my exegesis presents Prebisch's perspective using terms such as "rate," when in fact Prebisch systematically avoided the term. Therefore the "rate" of "return" of income towards the Center from the Periphery actually is slower than the converse of the same process.[56] In other words, there is a power-time asymmetry (Prebisch uses the term "disparity") between the periods of production and circulation, and the time for the "return" of income originally paid in the "cyclical Center":

> the return of incomes and demand, paid by the cyclical Center towards the Periphery is extremely long. So that if in the combination of both processes, the time of return shrinks and the time of value formation in the productive process shortens, the excess demand over supply will tend to shrink, because it has been initiated precisely by the contrary phenomenon, that is, by a very much shorter return time than the time of production. (Prebisch 1949a in 1993: 422)

The "wave form" is a consequence of this "Time" disparity, within and between production and circulation processes. "Within," because "branches," "sectors," exhibit their own specific product-power-time

[56] "Some time elapses between the payment of income by businessmen (payments to productive factors and payments of profits to each other) and the return of this income to businessmen in the form of demand for the goods they produce. This period of return varies according to whether it involves the cyclical Center or the Periphery, and the different circulation processes" (Prebisch 1949a in 1993: 425).

heterogeneous characteristics (asymmetries). On the upswing there is an accumulation of circulating capital investment, while production is in process along with completed production; on the downswing, the circulating capital is liquidated: investment and/or disinvestment, respectively. Just as on the upswing income influx is lower than the payment of income, during the downswing "income return" is higher than the "payment[s] of income by businessmen" (Prebisch 1949a in 1993: 425).

What "corrects" the timing disparity in question, between the "demand curve" headed to meet the "completed production" curve is the contraction of production undertaken by businessmen when they observe that their stocks are overflowing and start reducing their investment. This will in turn produce the other "point of conjunction," and inaugurate the cycle in its upward phase.

Overall, therefore demand exceeds supply, and retailers initially cover the higher demand with stocks instead of putting prices up, by increasing unit sales: prices only rarely depend on supply and demand, according to Prebisch. It is businessmen's stocks that regulate the market: they simply sell more items. This produces greater demand from retailers on wholesalers, and in their turn from wholesalers on industry, which also ups demand on primary producers. This chain causes the rise in prices, as well as "profits" (Prebisch 1949a in 1993: 432). But when the "market" does not confirm the "speculation" or "anticipation" by businessmen, prices have already incorporated these "profits," which having been paid previously and cannot be reduced, as assumed in the classical image of the market where supply and demand converge. As prices have already incorporated the values by the time they have reached the marketplace, this involves, as Prebisch insists, an "irreversible" phenomenon (Prebisch 1949a in 1993: 434), which nevertheless still produces fatal contraction effects. As the different productive stages transpire, profit is incorporated into final goods, and the "rigidity" which those values convey induces a cyclical contraction, that is demand becomes "insufficient to absorb supply after the point of conjunction" (Prebisch 1949a in 1993: 433). Therefore, it is the "disparity of time" between the process of return and income, and the outflow of production which produces the "disequilibrium between demand and supply" during the cyclical upswing.

Let us not forget either that in this illustration Prebisch claims that the most usual thing in cycles is the relatively faster growth of profits in the Periphery with respect of those of the Center:

> How do we prove this? It is an established fact that, in general, prices of primary products rise faster than those of finished products, indicating that the profit incorporated into the primary product has grown faster than that incorporated into the finished product (Prebisch 1949a in 1993: 434).

This occurs because, between the different stages of the manufacture production and sale, each agent buys the goods at one price and sells them at another with a given "unitary" profit. But through such buying and selling, businessmen pay their peers their respective profits and other income, while production has yet to arrive. It is the stocks in the respective agents' warehouses that are sold at a price including the profit, driven by the "demand" generated by the ongoing productive process. This explains why the "value of supply" increases at each stage, which in turn drives the increasing demand. The profit arising among the various businessmen performing these alternative activities in turn make possible an increase in demand. Each productive stage raises demand above the immediately previous one, and so on.

There can therefore be no "stability of demand" (Prebisch 1949a in 1993: 436);[57] demand is always contingent, which lends capitalism its typical "wave" form. Even in the idyllic scenario of a perfect market with no "rigidities," it would be the *time* element in terms of process and the "timetable" to generate a given production, which ultimately defines the existence of profit and explain its *total quantity*. And since the process of production or response to a given stimulus is slower in the Periphery than in the Center, the *quantity* of "profit corresponding to the Periphery will be less than for the cyclical Center" (Prebisch 1949a in 1993: 440).[58] This is due to the fact that, in terms of the whole picture (Center and Periphery), lower unit profits are not necessarily at odds with a higher *quantity of the total profit*.

To put it another way, when the Periphery itself shortens the time response to demand from the Center, it does not necessarily mean that "*total* quantity of profit" declines, as this process would drive businessmen to cover demand more quickly, and push up their own production and profits, generated by their payments to productive factors and other businessmen. This makes a lower profit per product compatible with a higher *total* quantity of the profit.

On this occasion, Prebisch no longer speaks of a "compulsory mechanism"

[57] "In the partial phenomenon -an industry or company- we can dismiss as insignificant the impact on demand of the rise in income stemming from the persistent efforts of businessmen to increase production. (...) But when it is not only the footwear manufacturer but all businessmen who, to one extent or another, respond to the growing impetus of the cycle, the income they pay over and above the completed production tends to increase demand in greater proportion than supply, and thus reactivates the process of cyclical growth until the point of conjunction is reached" (Prebisch 1949a in 1993: 441).

[58] On the next line he says: "It is obvious, moreover, that if this increase in demand were not to vary -if it were to remain fixed- and, for whatever reason, the time the primary businessman took turned out to be shorter than for the businessmen in the Center, the quantity [of] profit in the Periphery would fall, while remaining the same in the Center: the total unit profit would then be lower than in the preceding case" (*ibid*.). Let us remember that these lectures were not revised by the author. It is perhaps one of the very few texts "published" in (Prebisch, 1949a in 1993) which show some typos and errors and fragments missing. The original text can be found in ECLAC or in *El Colegio de México* library: "Teoría dinámica de la economía. Con especial aplicación a las economías latino-americanas"" (February-March 1949).

for savings. He continues to question the traditional "theory" on the subject and how it would shape the "interest rate," but maintains the idea of the "inflationary" dimension in order to understand the resources used by businessmen to start the phase of the upward cycle, as well as its negative social distributive consequences.[59]

Prebisch wants to show that it is "increases in the money supply" that makes capitalism work, since the monetary volume is flexible. "Money" then is supposedly an endogenous creation of companies, and it is therefore businessmen who are the main agents in explaining the operation of capitalism, and its characteristic wave form. It is obvious by now that the "Wicksellian" notions on the "natural rate of interest" have been superseded in Prebisch's narrative.

Therefore, investments are started with money created by the banking system, or which has been inactive and has been accumulating in businessmen's accounts. During the cyclical upswing, businessmen offload their savings, or turn to the banks, and during the downswing, they do the opposite, canceling debts and storing up circulating capital to be used during the cyclical upswing. In other words, for Prebisch savings are performed in the downswing since during the cyclical upswing, the phenomenon signifies an expansion of future productive capacity and profits, a process which culminates once "fixed capital necessities" have been covered and the rate of growth declines with respect to profits, inducing businessmen instead to invest a portion of the profit "in circulating capital. This is enough to lead us to the point of conjunction, and to unleash the phenomenon of contraction" (Prebisch 1949a in 1993: 449).

The notion of the cycle then involves a series of articulated activities between Center and Periphery. Businessmen in the Center make resource payments in the Center and to the Periphery (see graphics at the end of the chapter). This entails resources leaving a certain economic space, and due to the nature of the Periphery they take much longer to return to the Center than the income and profits paid within the Center itself. And we know that during the upswing businessmen pay more resources and profits than they will recoup in the future, but "accumulation" occurs because they are manufacturing articles in process, and paid resources (two modes of establishing circulating capital). However, in the downswing "they liquidate articles in process" and "store money," for any future productive resources or profits.

In both contexts (Center and Periphery), profits grow faster during the cyclical upswing than "productive factors' income," thus explaining the rise in

[59] "the typical form of capitalist accumulation (...) Is the result, therefore, of an inflationary pressure, through which distribution is altered within the collectivity, considerable share of the income to relatively small groups of businessmen with which they increment their savings capacity, and hence we arrive to this conclusion: the shortage of savings, a characteristic feature in the early stages of the cycle's upward phase, generates the phenomenon of profit, and profit generates the growth of savings" (Prebisch 1949a in 1993: 447).

prices. But just as profits "grow faster in the upswing," "they fall faster during the downswing" (Prebisch 1949a in 1993: 452). However, the "distribution of profit over the different stages of the productive process does not occur proportionally to income" (*ibid.*), and profits in the Periphery grow relatively faster than in the Center.

The movement of the capitalist cycle, regardless of its origin, the process inevitably leads to the points of "conjunction," and the curves between demand and supply intersect and the contraction process initiates.

During the upswing, an "insufficiency" of demand concerning supply or finished products always manifests itself. The functioning differences between the demand and completed production between the Center ("excess") and the Periphery ("insufficiency") can be explained by the fact that the velocity of the rate of "income return" in the Center is relatively much lower than in the Periphery but with time, the gap between peripheral insufficiency and Center's excess tends to grow wider.[60]

If we think about the hypothesis that profits are generated relatively faster in the Center than the Periphery, a relatively larger quantity of profits will go to the Periphery. But meanwhile, businessmen go on demanding higher levels of produce due to the existing surplus demand, and simultaneously reciprocally increasing profits and demand. This displacement of profits to the Periphery eventually determines the peripheral "insufficiency" and the Center's "excess" to converge.[61]

According to Prebisch, it is the "spontaneous play of the system" (Prebisch 1949a in 1993: 461). It is not a point of static equilibrium; it is a point of conjunction. It is the "equivalence of magnitudes" of pressures exerted by profits towards the Periphery. There can be no convergence of demand and supply because then that would mean there would be no profits, least of all the "undulatory" phenomenon of capitalism.

"Dynamic" equilibrium and the "succession of dynamic equilibriums" are equally impossible (Prebisch 1949a in 1993: 463), as it would presuppose supply closely shadowing the demand curve, where in fact the point of conjunction means that the demand curve begins to lose speed or bottom out. Or else his "model would be destroyed," and "classical theory" vindicated (Prebisch 1993: 462).[62] Because the dynamic element comes from the

[60] "I maintain that within the same system there are forces which tend to enlarge the deficit or insufficiency of peripheral demand with greater amplitude than the excess of the Center's demand. As the upswing heightens both the excess of Center's demand and peripheral insufficiency increase, but the Periphery's insufficiency grows much more intensively than the excess, until it reaches the moment where the Periphery's insufficiency is equal to the Center's excess (points [sic] A in the Center and Periphery curves" (Prebisch 1949a in 1993: 459). See graphs at the end of chapter.

[61] "Until its quantity has created an insufficiency similar to the excess" (Prebisch 1949a in 1993: 461).

[62] "I believe that these disturbances that intervene and prevent it attaining equilibrium, which lend the system its characteristic undulatory pattern which result from the interdependence of

decrease or otherwise of "stocks," forcing businessmen to invest or disinvest, "the idea of equilibrium with a possible increase or systematic decrease in stocks" is untenable. "The two conditions repel each other" (*ibid.*).

To demonstrate the systematic and circular accumulative disequilibrium of capitalism between the Center and the Periphery, Prebisch reconceptualizes his earlier idea of the *coefficient expansion* into *exit coefficient*. He presupposes a kind of circulatory production process during which, as production expands and is replicated, it reincorporates part of its income to amplify the established capacity. The Periphery "returns'" its income towards the Center in a much more time-consuming interlude than the other way around, but since both entities are divergent in terms of their respective "exit coefficients," there is no chance of their respective supply and demand curves ever catching up to each other simultaneously. This is why Prebisch posits that "excess of Center demand" and "insufficiency of peripheral demand" are parts of a single system. To each unit growth of the economy (central or Periphery), we should add the outbound proportion of income, as well as any investment necessary to keep steady their respective growing capacities, therefore the distinctive outflow, or "influx coefficients" (Prebisch 1949a in 1993: 466). This movement opposes the possibility that their respective demand and supply curves would coincide, because of their respective "exit coefficients."

Any race to intensify growth or demand from either sector will eventually bring about the system to the point of conjunction (intersection), and the respective contraction inaugurating the next cycle. What conducts the system towards to the point of conjunction and contraction is its virtue, namely, profit. As stocks are accumulated in the Center, businessmen react in order to lower the proportion of stocks, which in turn gradually reduces profit per unit among various businessmen, until demand meets supply the "point of conjunction" (Prebisch 1949a in 1993: 461),[63] that is "completed production".

Nevertheless, the "peripheral insufficiency" grows faster than the "excess of the Center's demand" due to the respective asymmetric exit coefficients, or their respective income circulating velocities. This causes the gap between the "insufficient [demand] of the Periphery" and the "excess of the Center's

the scheme's curve" (Prebisch 1949a in 1993: 462).

[63] "What happens while the peripheral insufficiency does not coincide with the Center's excess? There is a net excess of demand over [the] supply at the cyclical Center, the consequence of which is the decrease in businessmen of final produce stocks, causing an increase in demand among them with the purpose of increasing production, and in turn brings about an increase in profits which, in our hypothetical scenario, goes largely to the Periphery. In other words, as long as the point of conjunction is not reached, there will be a continuous fall in stocks, a continuous rise in the demand of businessmen, continuous growth in profits, and a shift of profits toward the Periphery. Profits go on shifting more and more toward the Periphery, until their quantity has created an insufficiency equal to the excess. This is the spontaneous play of the system. The equivalence of magnitudes is reached through the pressure exerted by profits bound for the Periphery, and by the consequences this pressure has on the difference between production and income return" (Prebisch 1949a in 1993: 460).

demand" to widen, which in turn brings about the conjunction initiating the process that leads to the system's contraction.

This is precisely what prevents theorizing about the growth and circulation of income between the Periphery and the cyclical Center in terms of "dynamic equilibrium":[64] it will simply never be reached.[65] If different economic spaces grow at distinct time rhythms' disparities, a change in exit coefficients, or an acceleration of peripheral growth would not alter the proportional asymmetry of income which each of the spaces "retains" for itself.

In a timeless world it is possible to observe positions of equilibrium between the mass of income and production. However, businessmen would then be none the wiser as to the levels of accumulated or declining stocks. For the same reason, "Centers's excess" "dies out before insufficiency," which is a consequence of the greater slowness of the return of income towards the Center. If we postulate a growth or greater productive expansion in the Periphery, autonomously from the Center and equalize the income magnitudes, then we would move from a situation in which a "net [excess] of demand" reign to one where a "net insufficiency of demand" predominates. This would in turn involve an accumulation of stocks and reduce production, unlike the reverse situation in which businessmen continued expanding production given a surplus demand.

Only by neutralizing the "action of stocks on demand" could a "dynamic equilibrium" (Prebisch 1949a in 1993: 470) perspective be made viable, but impossible in practice since it is the mechanism that makes the whole productive apparatus work, starting with the reactions of businessmen themselves. But in the event that the tempo of production, or the farsightedness of businessmen begins to slacken, circulating capital will accumulate to be used during the recovery, or the start of the cycle in its upward phase.

During his account, Prebisch perceived among his audience a near frenzy state, reacting to the merely "passive" function of peripheral economies with respect of the Center, insisting on raising the theoretical possibility of an autonomous process of expansion and growth. Prebisch would later try to show that such a process is absurd.

He introduces a series of alternatives (such as higher levels of investments or loans in the Periphery) to see whether the point of conjunction could thus be avoided or postponed for a while at least. Now, a higher quantity of investment in the Periphery (due to whatever mechanism) would speed up the encounter between demand and supply (the point of conjunction). Another theoretical option for reaching the point of conjunction is to

[64] "The smaller the exit coefficient of the circulatory mass is, the higher the magnitude of income retained to cause the regular increase that leads to positions of dynamic equilibrium, the farther away the point from which these positions of dynamic equilibrium are reached" (Prebisch 1993:. 464).

[65] "I believe that where there are two diverse exit coefficients, it is quite impossible to reach equilibrium" (Prebisch 1949a in 1993: 466).

examine an atypical case where income grows at a faster rate during the upswing in the Center rather than in the Periphery. Here, unlike the *typical case*, the "excess of Center's demand" and "peripheral insufficiency" (by definition the point of conjunction) cannot be made to coincide. But although rising demand will take its course, and exceed supply, it cannot go on rising *ad infinitum*. The point of conjunction will be reached only if the tempo of fixed capital investment grows faster than the rise of profits. This involves higher levels of fixed capital investment, which in turn implies a growing proportion of savings. This would considerably slow down income return, which means that the "excess of the Center's demand" curve begins to level out, eventually coinciding with the rate of "peripheral insufficiency" (the "point of conjunction") "via another path."

If in the typical case, the point of conjunction was reached because the "insufficiency of peripheral demand grew more intensely" than demand in the "Center," it is now "Center's demand" which slows down relative to the "Periphery."[66]

At his audience's request, Prebisch examines a case when the Periphery, acting autonomously, generates its own process of economic expansion in an attempt to break away from its merely "passive" function.[67] Such action would only "delay" the meeting of the supply and demand curves (the point of conjunction) in the cyclical Center, in turn generating full employment and a process of inflation. We would be faced with an event in which the cyclical phenomenon and the inflationary phenomenon would converge, with much more profound negative effects than would occur during any strictly cyclical process. But in fact, these considerations only change the "amplitude" of the cycle, not its characteristic "wave form": "it has always risen only to fall again" (Prebisch 1949a in 1993: 478). See graphics at the end of the chapter.

Apparently then, the adjustment mechanism for the "phenomena of Center and Periphery" would not change, regardless of the variables considered, precisely the phenomena that prevent "equilibrium" being achieved: the existence of *time*. When Prebisch describes the depressive effects of the cycle after the point of conjunction, demand does not "exceed" production, and therefore the accumulation of "the circulating capital" is "excessive"

[66] "A higher retention of income has been developing. This means a slower return, and although the distance between income and production continues to grow, a point will be reached at which, due to the saving invested, not in fixed, but in circulating capital, peripheral insufficiency coincides with the Center's excess. The point of conjunction can be reached in different ways, but always by virtue of the disparity in the *time* of income return" (Prebisch 1949a in 1993: 476, my emphasis).

[67] "It creates its own income in a much greater quantity than the Periphery would need in its passive function to respond to the Center's demand. (...) It could happen that the magnitude of this expansion distinctive of the Periphery be such that, instead of the net peripheral insufficiency begetting downward the Center's excess until it reaches the point of conjunction, we will have a net excess in the Periphery and that, in the cyclical Center, the excess of demand will be much larger than those cases we have considered" (Prebisch 1949a in 1993: 479).

(Prebisch 1949a in 1993: 485). Then the problem of liquidating stocks arises, which generally exceed the level necessary to deal with the "demand set by the point of conjunction" (*ibid.*) and it's when businessmen react:

> leading us back to recovery, for, while businessmen see themselves accumulating passive stocks, it is natural for them to try to lower production, but when they see that their stock in existence is not accumulating before the point of conjunction, if they don't wish to be deprived of their existence in time, if they wish to deal with the volume of demand reached, they will have to go back to paying higher incomes superior to the completed production, thus initiating the system's recovery. (…) Supposing that, for whatever reason, instead of returning the income during the cyclical downswing in the way we have seen, the Periphery is slower to make repayments making the devolution with less rapidity (…) what would happen? Income return would be less active, and instead, the point of conjunction where we marked it, would be found much lower down. (Prebisch 1949a in 1993: 486)

If, during the depression, instead of offloading stocks or circulating capital, the Periphery is also able to raise its import coefficient, and prolong the repayment of income towards the Center by some mechanism, then "supply and demand" would cross much earlier (the "point of conjunction").

But this is something that has never actually happened. According to Prebisch, the history of inflationary phenomena is originally the result of the Center's monetary practices, not the Periphery. No matter how long it goes on, the inflationary process will eventually produce the "point of conjunction":

> Inflation means an intense and increasing accumulation of profits in the cyclical Center. A portion of those profits is made over to the Periphery, all the more so, the faster the rise in profits in the Center is, and the longer the time the productive period in the Periphery. This would tend to make simultaneously a parallel development of production in the Periphery increasingly difficult, and neither would the growth of the quantity of the outflow of profits towards the Periphery such as to make peripheral deficit encounter, sooner or later, the excess. (Prebisch 1949a in 1993: 487)

The idea that this process would only stop because there was "full employment" was for Prebisch a theoretical madness simply because while the inflationary process is at full tilt, businessmen will go on investing and receiving profits in view of the rise in prices. Circulating capital will grow, and as in any expanding process, will require increasing sums of money to enlarge the circulating capital/stocks. But they will also have to use their profits to make purchases and investments in the Periphery, which means in fact that the "excess of cyclical demand" will be reduced. This will increase the "insufficiency of peripheral demand" (Prebisch 1949a in 1993: 488), and

"inevitably" produce a point of "conjunction after which the contraction of the system will supervene" (*ibid*.).

In his last lecture given registered on the March 1, 1949, Prebisch promised to return and delve deeper into certain aspects, introducing "world gold production and the tempo of technical progress" into his model (Prebisch 1949a in 1993: 488). But Prebisch did not keep this promise, for he left for Santiago de Chile the next day as consultant to the ECLAC, where he embarked upon other reflections of a theoretical and practical nature.

I have tried here to describe a period in Prebisch's critical thinking on economics of a specific period. Even during his lifetime, certain devotees or detractors of Prebisch's work have made our protagonist say many things, I have, as far as possible, adopted the strategy of presenting his ideas by means of his own words, however paradoxically that sounds to non-Spanish speaking readers. The development and conclusion of his ideas on the world economic cycle during this period involved setting aside certain ideas that he had initially espoused. His political radicalization is the flipside of his theoretical reconstruction. I believe the history of Latin American economic thought has not carefully examined this period in Prebisch's intellectual development, and his further rise to fame after ECLAC's reunion in Habana distanced him from making such reflections.

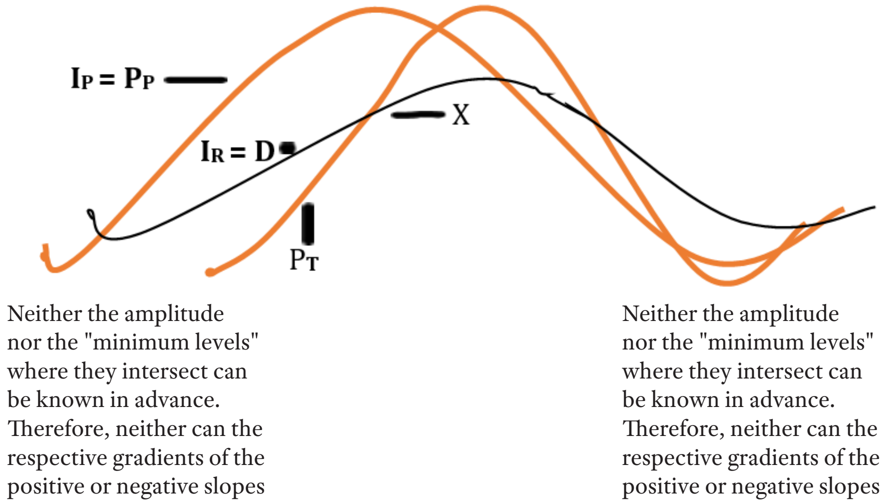
However, certain faint conceptual traces passed into the phraseology of his following texts at ECLAC, and this makes Di Filippo's work (1981) even more worthy. In just a few sentences he transports us to Prebisch's texts and ideas of a quarter century later, around 1975, when he began work on what would become *Capitalismo Periférico* (Peripheral Capitalism). Once retired from his international posts, Prebisch crossed the equator to return to tropical lands, and took his manuscripts of the period we have been analyzing out of the deep freeze. Unfortunately, in the Western-centric academy Keynes work as the IS-LM[68] instigator, seemed to corroborate Prebisch's critique and distance him as a potential ally against economic orthodoxy. Their notions on money creation are close to the versions about endogenous money currently being resurrected (Dow 1997, Cutler *et al.* 1978), which resuscitates Keynes himself. For Prebisch, as we have seen, Keynes remained a hopeless case.

Discussion of the economic cycle (Kuznets 1930), standard for the course back in those days, and its stochastic nature (Mirowski 1989, 1990, 1991a, 1991b), would also again become part of the intellectual daily life. I am not referring to the "real business cycle," but Ormerod's critique (2000) of it demonstrating its theoretical incongruities (a version that is currently dominant in certain schools of economics in the United States). Also, those who feel that the "equilibrium" or "disequilibrium" issue is a myth made up by Prebisch, should remember that the economic establishment had considered an attempt to "stabilize" Weintraub's "dynamic" (Weintraub 1991:

[68] See the recent account in De Vroey & Hoover (2004).

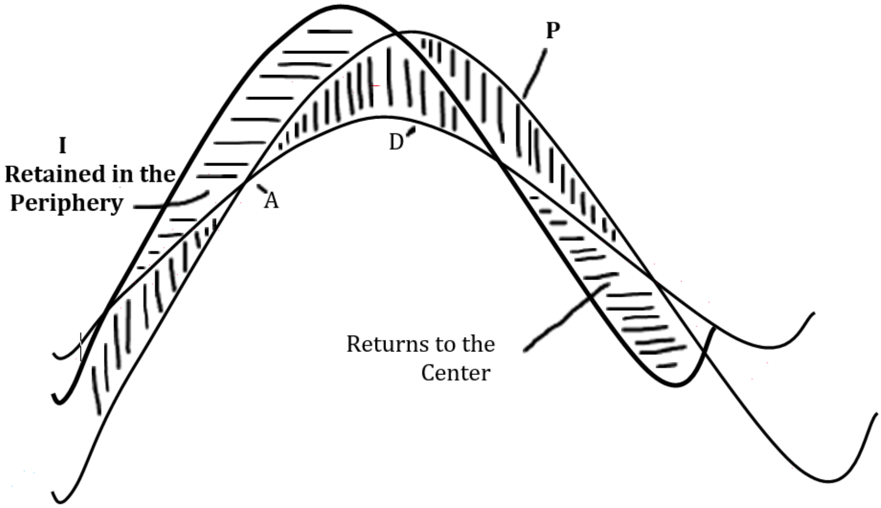
123) to be their main theoretical task, since the notion of "equilibrium" in neoclassical economics has always been highly "unstable" (De Vroey 1999), if not impossible (Nadal 2004).

Only time will tell if economics will again be thought of in historical and institutional terms (Hodgson 2001, Furtado 1983, Mallorquín 2001) as Prebisch highlighted throughout his life, an attitude clearly visible in his descriptions of the action of businessmen in their zeal for maximum profit. What better than to return to the past and some of its thinkers in Latin America, who gathered together in the Golden Decade of ECLAC (1950-1960), providing then as today, theoretical and practical alternatives for economic development in a region facing a legacy of economic problems bequeathed by latter day neoliberalism.



Based on Prebisch 1949a in Prebisch 1993: 419.

IP = Paid Incomes; PP = Production in progress; PT = Completed Production; IR = Returning Incomes; D = Demand; X = Intersection; Prebisch uses overwhelmingly the term “conjunción” which grammatically has the role to join two words, (i.e. “and”), on occasions, we also find “inflexión”(inflection).



Based on Prebisch 1949a in Prebisch 1993: 484.

I = Total incomes paid, Center and Periphery; P = Production; D = Demand, (D = R) R = returning Incomes. Horizontal lines shows expenditure and circulation in the Periphery during the upswing. Vertical lines indicates circulating capital held in the Periphery during the upswing. After point A (supply and demand intersect), starts the downswing of the cycle, and incomes paid initiates their return to the Center.

Chapter 3

Celso Furtado and Development: A Brief Outline (1950-2004)

The main purpose of this chapter is to attempt to give a brief review or outline of the works and ideas of Celso Furtado in relation to development. In order to limit the work to a reasonable length, I have sought to emphasize only those moments I believe were crucial in his thought process, in the hope that Western-centric readers will appreciate the importance of his ideas related to the "development" of Latin America during the 1960s and 1970s. His exile after 1964 limited much the diffusion of his ideas, although his publications did not recede, much of which were the basis for his classes in France and conferences, until his return to Brazil in 1984. Aspects of his work have today become central to rethink the discipline and economic policies appropriate for the future of the region.

Previously we have already drawn an outline sketch of the conditions that made the rise of developmental economics, touching on some of the political, economic, and cultural world historical context of the post World War II period which established the institutional and theoretical conditions in Latin America facilitating the rise of a "southern" perspective. Prebisch's leadership of the process was crucial, although known worldwide for his "Central Bank" counsel; in the region the apparent default by the USA, of many of its promises in Latin America in the 1940s, generated the fervor for a more "nationalist" perspective on development. The International Conference in 1947 in Rio de Janeiro in favor of maintaining the Peace and Security for the continent, takes up the Interamerican concords realized in Chapultepec, Mexico City, in 1945, on problems of war and peace.

Therefore we now follow by examining some pertinent aspects of the economic discipline that were confronted head-on and transformed by this Brazilian economist ("The Economic Science: the Glorious Days and its Deficits"), continued with a description of his first period as a theoretician of development ("The Armed Crusader: 1949-1964"), that is, as a "reform monger" according to O. A. Hirschman (1963), or "a fanatic" (G. Harbeler).[1] This is followed by a description of his period in exile ("Rethinking Capitalism and the Industrialization Process, 1964-1975"), to concluding ("The Prophet Returns: 1975-2004") with a discussion of some of his work produced upon his return to Brazil in the 1980s until his decease in 2004.

The importance of his work has been overshadowed by the rise of neoliberalism's dominance, whose history and deconstruction of Latin American Structuralism revolves around its portrait as an "anti-market" discourse. And yet it is a suitable occasion to reiterate that the "creation" of

[1] Furtado (1985: 124) from a conversation between G. Harbeler and E. Gudin.

markets was an explicit aspect of the main objectives in the transformation of the social and technical division through the policies promoted (land and fiscal reforms). Although "governmental" guidelines or interventions by way of programmed sectoral reconstructions of the economy were part and parcel of the strategy to boost certain aspects of "development" and "growth," today these characteristics of the discourse are lost to younger generations all over the world. Nevertheless, the "market," left to its own devices could not produce the momentum and the force necessary for the transformation of societies into more equal and just entities.

Although Furtado's name might be a misnomer to many, the economic vision nearest to his conception of "structuralism" could be described as "old institutionalism" (Veblen, Mitchell, Commons, Ayres, amongst others). If their respective ideas could be welded together today, they would not simply be a counter-position to revive the "State" vis-à-vis the "Market" dichotomy, but rather they would offer a means to argue that the contrasting "opposition" is itself unfounded. Furtado's structuralism shares with the classical institutionalists the idea that the "market" is a specific set of asymmetric social relationships, which have specific conditions of existence pertaining to the agents' power mechanisms in question ("embeddedness" was Polanyi's term), and which need to be understood in order to construct the pertinent economic strategies to disentangle and liberate their action for a "better," equal and just society. Although it is not the present theme of the chapter, I have argued (Mallorquin 2006) for their mutual articulation and similitude, although Furtado himself disowns any parallel between his structuralism and institutionalism.[2]

Economic Science: Its Glory Days and its Shortcomings

By the second half of the 1940s, the preeminence of Keynes's ideas on the possibility of resolving the "cyclical" nature of capitalism through some kind of planning or demand management cannot be put into doubt; his name and his ideas were synonymous with a "revolution" in economic science within academic institutions all over the world. The fruitful results of his ideas over time and space, not really expected by their progenitor, were soon to be discovered by many and especially those working within Latin America. With some degree of adaptation and transformation, the Keynesian categories could easily become a powerful tool to initiate a description and explanation of the economic history of Latin America. This task was soon undertaken by R. Prebisch, J. F. Noyola, V. Urquidi, R. Boti, A. Pinto, O. Sunkel, D. Seers, to name but a few.

For some, the "Keynesian revolution" meant that the theoretical

[2] Furtado says that he did not include the "North-American institutionalists, (...) by the simple fact that they did not offer a systematic interpretation of the process of growth." (Furtado 1961: 8) Which is his particular way of saying that most western-centric discourse is inadequate to think the economy in the Periphery.

importance accorded to its ideas were part of a much broader mutation in economic science itself and accordingly, sooner or later they would be uprooted, in much the same way as they had once displaced some of the "neoclassical" postulates, which, unfortunately as we now clearly know, were not after all banished to the rubbish heap of history.

The role of the "multiplier" and the "accelerator" were crucial to many of the calculations that would be undertaken to postulate specific rates of growth. The recommendations towards a full employment policy admitted that the economic complex could not be a self-regulatory entity. Fiscal policies and management of interest rates as well as budgetary deficits were part of a process aimed at maintaining a certain level of employment and income: demand-managed economies became the common name in post-World War II discourse. In Latin America, these aspects were examined within "structural reforms" of all sorts, fiscal, land, and reconstruction and integration of the societies in the region.

But Western-centric "economic science" could not go further than reiterate its newfangled categories when thinking of the Periphery or the "backward countries." There was a brutal silence, and absence of a specific theoretical discourse about countries that were plainly not "industrialized" (Arndt 1987, Heilbroiner 1964, Love 1996). The emergence of the notion of "underdeveloped economies," following World War II, which singled out late-comers to the growing industrialization process or raw material producer countries, was the product of crucial theoretical and political battles fought by institutions like ECLAC to push forward the process of industrialization and social transformations. Simultaneously, in the Latin American region, long existent and new universities would recognize "economics" as an independent field in its curriculum, for example, the National Autonomous University of Mexico founded economics as a separate discipline in 1946.

Prebisch's ideas, and later those of Furtado, opened up a vast uncharted theoretical landscape, which henceforth would be mapped by means of new categories which would incorporate "programing" (ECLAC's functionaries eluded the use of the term "planning") as one of the means to induce a calibrated process of development. Since the thirties, Prebisch had been experimenting, with great difficulty and not much success, with various explanations to account for Argentina's topsy-turvy economic development, including those that took their starting point from conventional economic categories: the cyclical notions of capitalism and the "Gold Standard," were parameters that left much to be desired, and could only be fitted to Argentina's experience through an unquenchable violation of the facts (Prebisch 1944b, 1944c, 1949a).[3]

As seen above, by 1948 Prebisch had advanced a theoretical perspective that would culminate in a specific discourse about the so-called "primary

[3] See chapter on Prebisch or Mallorquin (2005, 2006a).

goods producer" countries or the Periphery of capitalism. In other words, he thought that what was needed to address the "Periphery's" problems, could not be deduced from Keynesian and/or neoclassical models of development. It was therefore paramount to differentiate the raw material producing countries (the Periphery) *vis-à-vis* the "Center" or industrialized nations. He was arguing against the plainly "false" claims of "universality" of the Western-centric economic discourse hegemonic at that time, which in the last instance assumed that the countries of the Periphery would undergo similar structural transformations during their development process as those that the industrialized countries had undergone in the past, adjusting themselves to the world economic forces; a concept of history which L. Althusser (1969), in a polite and paradoxical manner has termed as "future anterior."

Under this scheme of things, the "backward economies" had to adapt themselves to an international trading system that blessed its relative abundance of "factors of production." There arose a version of a worldwide complex of trade, which reinforced the hitherto international division of labor: the Periphery had to specialize in the production of raw and primary products, and the Center concentrate on the production of manufactured products.

These countries were supposed to utilize those "factors of production" which were in relative abundance, and thus cheaper, to produce specific goods. Accordingly, there was a "comparative advantage" (no doubt in static terms) that favored some countries to concentrate on the production of certain products that required diverse intensities of capital and/or labor. The surplus production would form part of the trade pattern that would maximize the overall growth and earnings of respective economies.

Above we saw that Prebisch (and H. Singer) showed that those countries that actually followed this path, and accordingly adjusted their economies to the cyclical growth process of capitalism, found themselves, in the long run, in a worsening spiral situation. If, as he argued, the diffusion of the fruits of technological progress should have favored the Periphery, given its lower productive or technological capacity/intensity, so it should have manifested itself in lower price levels for manufactured goods imported. But the international price index revealed otherwise; this by itself did not prove, nor explain what came to be known as the Prebisch/Singer thesis of the "deterioration in terms of trade" of the Periphery *vis-à-vis* the industrialized Centers. What was claimed was that after the repetitive cycle, the Periphery, besides not being able to keep to itself its own "fruits of technological progress," also lost them through the downward pressure that was exerted on the prices of its goods.

The Periphery's deterioration of its terms of trade *vis-à-vis* the industrial nations, was due to the existence of an asymmetric power relationship between the parties in question, or as is commonly typified in mainstream

economics terms a disparity of the "elasticity price demand" for their respective products. Given the Center's labor force mode of organization, they managed to preserve their overall wage-salaries conditions, sustaining heretofore price and cost levels vis-à-vis the Periphery, despite the downswing in the cyclical process. It is true, as Prebisch argued that the gains (prices) in primary products during the upswing rose at a much faster pace than their counterparts at the Center's, but it is also historically correct that during the downswing they declined and lost much more than they had gained previously.

To preserve the hitherto level of export earnings the Periphery had to increase the quantum of its exports, intensifying its productive capacity, which in turn increased its demand for imported goods (semi-manufactured and manufactured), constraining the diversification of its economy, in other words the technical and social geographical division of labor. Thus, every cycle saw the imposition of a descent of its income level. The deterioration of the Periphery's terms of trade with all the subsequent negative consequences on its external balance account and the search for the so-called "equilibrium," generated a lower rate of investment, while simultaneously considering formulas to induce a higher level of savings, which was generally undertaken by cutting health and education expenses. Which in turn reduced the capacity to receive foreign credits and consequently overseas capital. This had to be resolved by attracting foreign capital through an internal deflationary process, all of which stalled the growth of the economy.

The growth of income in the Center was not reflected in an equally proportionate increase in the demand for products or goods from the Periphery; on the contrary, a whole series of substitutes and demand schedules appeared for other, and more elaborated types of goods, which for the Periphery meant a reduction in demand for its goods. The Periphery's growth was therefore inhibited by internal and external tendencies, "disequilibrium," given its lower capacity for imports, which explains its stop-go characteristics.

Also, the manifestations of the Periphery's erratic growth process throughout the twentieth century, forms part of its heterogenous characteristics product in turn of the asymmetric power between and among the agents, regions, and countries. An aspect central to Furtado's theorization was the notion of heterogeneity and "underdevelopment" related to differing productive organizations, not "stages" to be superseded, but rather requiring reconstruction under alternative social relations, and geographical integration, hence the importance of regional "common market" arrangements. Besides creating a less "heterogenous" configuration base, the substitution of imports with local production (industrialization), would also make it easier to control the economy during cyclical downturns.

During strong nationalist social forces in the 1940s, the so-called "ideology of developmentalism" reigned supreme. The political forces headed by Getulio Vargas and a large number of institutions like the Superior Institute of Brazilian Studies (ISEB) inscribed the industrialization process within the plans that they had a chance to come up with, culminating with Kubitschek's ("Targets Plan") economic plans.

After the war, the National Bank of Economic Development (BNDE) was founded and soon made agreements with ECLAC through the work of Furtado founding many development projects. The *Joint American and Brazilian Commission*, which was formed to enhance the industrialization process, had Furtado as its Director. Brazil became, in the first half of the fifties, a theoretical paradise for discussing and experimenting on the theme of "development." Most of the leading exponents, and critics of a full-speed-ahead-towards-industrialization policy visited the country during that time and discussed the topic. For example, G. Myrdal and R. Nurkse with whom Furtado was to establish a specific debate on the issue of the size or otherwise of the market as a potential limit to the capitalization and development process. However, *last but not least*, the "structuralists'" terror: J. Viner and L. Robbins also visited the region to counteract the transformation in process, the latter had recently finished polishing the Mont Pelerin Society (Mirowski 2009), the former an active member of the society in question. One should not forget also that it was Vargas's ultimate push that finally made it possible to confirm the existence of ECLAC as a member of the United Nations, contrary to the wishes of the United States, after a trial period of three years (Santa Cruz 1984, Magariños 1991, Furtado 1985).

The Armed Crusader: 1949-1964

Two aspects dominated and predetermined Furtado's theoretical and practical interests during these years. On the one hand, the examination of the evolution and transformation of the Brazilian "economy" from its inception as a colonial entity, with particular attention given to the post-slavery period of 1889; and on the other, a description and reconstruction of the interpretation of the rise and history of economic ideas as the royal road to knowledge for the Periphery and its development process.[4] He clearly wanted to follow the critique of economic theory which Prebisch had initiated to its radical roots, but considered it too general, and sought a more specific theoretical vocabulary rejecting most of Western-centric discourses.

Ever since taking up a post at ECLAC in 1948, Furtado had been working on a whole series of projects that kept him in close contact with Brazil and the growth of the Latin American economies. Perhaps for the very first time in Latin America, at the organization mentioned above, there arose a profound consciousness of its possibility to contribute, theoretically and practically, to the solution and advancement of economic science but with

[4] For more details, see Mallorquin (1998, 2005).

a view more geared towards Latin America. New data and statistical series were elaborated, with specific objectives in mind; thus, the practicality of updating methods for measuring (deteriorating) terms of trade, and external "purchasing power" as Furtado coined it in a ECLAC document (1953)[5] under his direction.

Furtado's first published book, *The Brazilian Economy: A Contribution to the Analysis of its Development* (1954)[6] as mentioned previously, had two quite distinct problematics. On the one hand, it was comprised of a historical description of Brazil's "economy" from its colonization up until the decade of the 1950s, and on the other, one of the first documented histories of economic thought focused on the problems of the so-called "backward" economies,[7] demonstrating that these concepts were negative at best, and worthless to think the lineages of the specificities of an "underdeveloped economy."

Since joining the organization Furtado had been taken very seriously Prebisch's thesis of the false universality of the Western-centric economics orthodoxy. His first book, *The Brazilian Economy* (1954), which was dedicated to Prebisch, was simultaneously written while undertaking his organizational tasks, directing *An Introduction to the Technique of Programming* (1953) and revised in 1955. Between 1950 and 1954 he wrote a series of articles that were to become the book mentioned above (1954). Some of the articles were published in Western-centric international journals.[8]

The book (*The Brazilian Economy*) can be divided in two parts: a historical description of Brazil's recent economic evolution and transformation, and an engaging critique with classical political and its more modern theorists: A.

[5] ECLAC (1953) E/CN.12/292, *Preliminary Study on the Programming Technique of Economic Development.*

[6] It is ironic that a book that was dedicated to R. Prebisch, was to cause him so many problems at ECLAC, his views were used to put pressure on Prebisch and the Organization, but it must be remarked that it is in great part at odds with the economic categories then dominant, including Prebisch's.

[7] The closest resemblance to this type of examination within Western-centric discourses can be seen in Meier and Baldwin (1957). Prebisch's critique of economic theory, described in the previous chapter, was not known outside a few groups of students in the Economics Faculty of the University of Buenos Aires; but Prebisch's stature in Argentina and the region was without doubt sustained "worldwide" by his work in the construction and administration of Argentina's Central Bank (1935-1943).

[8] M. H. Dobb reviewed *International Economic Papers,* No. 4., in which an early Furtado article appeared and writes: "[Furtado] thinks that in countries at early stages of development the income-elasticity of demand for imports is so high (in the case both of consumer goods and capital goods) that progress may be early arrested by balance-of-payments difficulties. From this he concludes that 'the inflation which accompanies economic development ... is not a monetary problem'; and that while this may require structural modifications in a country's economy to increase either its export-capacity or its capacity for finding substitutes for imports, 'a reduction in investments, which is the remedy usually proposed ... will not necessarily rectify the unbalance and will not put the other troubles right.' But there he stops short, and one is left with some sense of disappointment -with a sense of being brought to the threshold of an interesting problem and no further." (Dobb 1955: 515)

Hansen, J. Schumpeter, J. M. Keynes, whom with the exception of Schumpeter all misunderstood or did not engage theoretically on the problems which could be thought within the "underdevelopment" ensemble.

The second part of the book is indeed paradoxical given that its author, who was to be in the years to come the constructor of the "underdevelopment" problematic nearly single handedly, exhibited deep theoretical tensions. On the one hand its contradictory and teleological characteristics and on the other hand, unwittingly recognizing in the Western-centric perspective a potentiality to supersede its limitations.

The problematic and questions with which he addressed to economic thought have yet to be created which was to be a product of his own doing: mainstream orthodoxy examined "backward" countries in terms of its own categories, with all the linear evolution suppositions that it entailed. And yet one of Furtado's starting bases to construct the theoretical space of underdevelopment is promoted by the conclusions of a Western-centric economic reunion in Chicago University in 1951 (Hoselitz 1953), where it was decided that the issue of "development," "evolution," and "change" in underdeveloped countries was not part of economics properly. Additionally, the theoretical strategy, through the examination of Myrdal's (1945), *The Political Element in the Development of Economic Theory*, and Edwin Cannan's (1942), *History of Theories and Production...* argued that economic thought has until then been a fully-fledged comedy of errors.[9]

But in ECLAC, Furtado's book did not fare well, especially with Prebisch, since his description of economic growth of Brazil in the forties and fifties was argued showing that there was no deterioration of the terms of trade and that the high rate of capitalization and industrialization process was realized under a very positive socializing cost effects that fell on coffee exporters and importers of consumer goods: the then existent selective foreign exchange controls in force favored the introduction of capital goods imports. The narrative questioned the idea that the recent growth of Brazil in the 1945-1954 years was a product of an "inflationary" process unless one forgets the simultaneous parallel product growth and expansion during the period.

The concept of an underdeveloped economy as a distinct entity with its own logic and structure was already being processed conceptually by Furtado, which culminated into a fully-fledged discourse during the years of 1958-1962, displacing the teleological and evolutionary notions implicit and explicit in conventional economic discourse, Keynesian included. To start with, the notion of an "underdeveloped economy" of the "economic formation" starts dislodging the hitherto category of a "colonial economy" dominant in much of the text (Furtado 1954). By 1958, Furtado was convinced, although not

[9] It is not until Meier and Baldwin 1957 book that a history and revision with reference to "backwards economies" was undertaken.

yet completely theoretically armed, that the Latin American economies were specific historical entities that could not be explained with the traditional vocabulary of mainstream economics.

Paradoxically, Prebisch's brilliant foresight of the route Furtado's ideas had taken in *The Brazilian Economy...* (1954), compelled him to reprimand the work. The confrontation (Mallorquin 1995) made Furtado think about leaving ECLAC. We could even speculate that to keep him away from the center of attention at ECLAC, he was regularly commissioned to participate in various economic reports and commissions, starting in the Brazilian and United States Commission and later, through his sudden trips to prepare reports in Mexico (1956), Venezuela (1957), both of which were not formally published by ECLAC, and known only internally to its functionaries and a few governmental representatives. He did finally leave ECLAC in 1957 to return to Brazil in 1958, after a ten-month visiting period of research in Cambridge, as an invitation sponsored by N. Kaldor.

After 1954, Furtado's cyclical notions of capitalism started disappearing; theoretically, Furtado started thinking more in "structural" terms, "obstacles" or "structural transformations"; concepts that could think productive agents embedded in specific social relations and historical contexts, which meant that the "rational" maximizing entities espoused in the official and mainstream economic discourse were insufficient.

It followed that a theoretical reconstruction was in order, and accordingly, "underdevelopment" could not and should not be thought of as a historical "stage" to be overcome, but rather as the consequence and outcome of the existence of a specific set of power asymmetries between and among agents, hence the social and geographical heterogeneity which generated the many "imbalances" whose effects were once thought of as cyclical phenomena.

Thus, a specific body of conceptual tools had to be constructed and that was precisely what occupied Furtado between 1958 and 1962. This process and its evolution did not appear in "one fell swoop," as it were. In fact, it was achieved painfully during a period when he was fighting crucial political battles to transform, first the Northeast, as its first Superintendent (1959c),[10] and secondly, as the Minister for Planning (1962b).[11]

As I said, by 1957 Furtado had left ECLAC and spent a short period at Cambridge University, during which he became conscious of the asymmetric power context of ideas and their command. It seems perfectly plausible that Furtado's reflections on his life in 1985 relates to the theoretical and ethical

[10] There he elaborated *An Economic Development Policy for the Northeast* (1959c), perhaps one of the first accounts to have used the thesis of the deterioration terms of trade between different regions (Northeast and Center-south) within a single country. See details in Mallorquin (1996) and Love (1996).

[11] The three-year plan of the government, *Plano trienal de desenvolvimento economico e social* (1963-1965), elaborated by Furtado, was attacked by all social forces.

relation of intellectuals and politics. We have mentioned that by 1954 having rejected most of the Western-centric economic discourses as incompetent to theorize "underdevelopment", the then ongoing "theoretical festival" (Furtado 1985, 2004) occasioned a reevaluation of his standing within "economics," simultaneously exposing what he then considered an ethical imperative:

> The formidable intellectual effort to which I was testimony in Cambridge [1957] was a new chapter in the permanent process of re-adaptation of economic science so that it can comply with the hoped-for functions of society. True: the nature of economic knowledge is scientific, but the domain which she explores is delimited by ideological motivations. The work of economics that strays from the domain of the political preoccupations delimited by its age is not good nor bad, its simply irrelevant. (Furtado 1985: 224)

During those meetings, he approached James Mead, who having read an article in the making by Furtado ("The External Disequilibrium in the Underdeveloped Economies")[12] transmits to Furtado, in an apparently dismissive tone, that his perspective of the nature of the "external disequilibrium" in "underdeveloped economies"[13] will be superseded and wither away once capital exports are resumed from developed towards underdeveloped countries. Furtado's retrospective reflection to the "conversation" is significant: his interpretation presumes an undergoing theoretical process guided by a "counter-offensive" to "save the neoclassical theory of income." As such there:

> was no reason to contaminate economic science with institutional impurities. It did not escape me that the efforts undertaken by these men of exceptional qualifications was to take us *back to the starting point*: the recognition that development had taken place where technological progress and the circumstances permit, so that certain social agents canalize it for the formation of capital. (Furtado 1985: 225, my emphasis)

In other words, Furtado's irony and tautological triviality should not be lost to the reader:

> The lesson was clear: the work of theorizing in the Social Sciences is to a certain extent a prolongation of politics. These reflections made me modify the vision I had of theoretical labor, inducing in me a change of my plans [1957] for the future in the sense of reevaluating political activity. (Furtado 1985: 226)

Having returned to Brazil, he takes up in 1958 the first post of Director for the Northeast section at the National Bank of Economic Development (BNDE)

[12] *Indian Journal of Economics* 38: 403-410.

[13] Furtado has said "Professor Mead did not seem to take seriously what I was saying" (Furtado 1985: 225).

and wrote the first project to develop the Northeast. Simultaneously during this period, he published *The Economic Formation of Brazil* (1959a),[14] a text that incorporated most of the historical sections of the previously mentioned book *The Brazilian Economy...* (1954). The subsequent version of the book came with all the appropriate reformulations to give it a more distinctly "structural" flavor.

Between the appearance of this book and the period of 1964 when he was forced to leave Brazil by the Military regime, Furtado fought on many a battlefield. He produced books and articles with distinct political and/or academic flavor, and some of a controversial nature. The latter can be exemplified by the title of the book *The Brazilian Pre-Revolution* (1962),[15] a compilation of a series of articles including the one used whose title created the explosive political uproar given his governmental responsibilities; a good example of the former can be seen in *Development and Underdevelopme*nt (1961), also a compilation of some of the material found in *The Brazilian Economy...* (1954), similarly appropriately reformulated, and also containing new material from 1958a and 1959b.

By 1967, Furtado consciously established the existence of a Latin American perspective:

> Economic structuralism (a school of thought that arose in the first half of the 1960s amongst Latin American economists) has as its principal objective to take into consideration the importance of the 'non-economic parameters' contained in macroeconomic models. Given that the behavior of these economic variables depends mostly on these parameters they have to be the object of meticulous study. (Furtado 1967: 81)

Hence the importance of the emergence of economic plans, which for example implied "land reforms" (Furtado 1969, Chapter XXIII), so that the "structural picture" could be modified and the social agents in question be freed to take up better remunerated positions within the social and technical division of labor, which would improve the distribution of incomes and resources. It presumed then an "advancement in the knowledge of real structures, so that on many occasions it demanded the supersession of conventional economic analysis" (Furtado 1969: 297). Furtado insisted that his perspective had:

> no direct relationship with the French structuralist school, whose main orientation was to give importance to the synchronic axis of

[14] In Mallorquin (2005) I offer a detailed follow up of the conceptual changes in the theoretical vocabulary of this book in relation to its original version: *The Brazilian Economy...* (1954).

[15] The English version of *The Dialectics of Development* (1964) appeared as *Diagnosis of the Brazilian Crisis* (1965), which can also be put in this tradition, but it is a better and very well-developed case for explaining the unification of the regressive political and social forces of the right against the government, which he foresaw with a military takeover, which unfortunately turned out to be true. Willard Barber reviewed the English version of the *Dialéctica del Desarrollo* (Furtado 1964), alleging Furtado's "deep Leninist ruts." (Barber 1966: 196). A positive review in English can be seen in Donald J. Harris's text "Diagnosis of the Brazilian Crisis" (1966).

social analysis and establish the 'syntaxes' of the disparities in social organizations. (Furtado 1967: 80)

Traditional conventional economics cannot take account of nor explain the existence of "structural obstacles" or "heterogeneous agents." Thus, there are no "homogeneous factors with the same technological time horizon" (Furtado 1969: 102). The problems of "underdevelopment" needs to incorporate notions of a non-unified labor market and the simultaneity of diverse (heterogenous) production functions, depending on the "surface of the economic structure in which the productive agent is inserted" (ibid: 102). The theoretical emphasis therefore tries to systematically destroy the traditional appearance of these problems within separate compartments, be they "economics" or "history."

In a sense, Furtado rebuilt into a theoretical concept a notion which for Perroux appeared to be an obstacle or ephemeral phenomena that needed to be reformed:

> Structural inflation has adulterated the very notions of our science; that is to say, it has warped or broken the modern instruments which are necessary not only for the diagnosis, but also for the treatment or operations that are indispensable for its cure. (Perroux 1957: 263)

From a Western-centric tradition, Furtado's conclusions can be observed as theoretical transformations of Perroux's idea (1950, 1950a) that specific and distinct economic units have differing "plans," necessarily antagonistic to each other, and that so-called existence of an "equilibrium" or "relative peace" takes place when a certain unit or agent of production manages to establish a dominion around a respective economic plan-space and thus over the other economic agents (units of production).

At this stage, his theoretical pondering took him explicitly beyond the confines of simple economics; his whole vision overflowed typical academic disciplinary boundaries; it took turns to wander along the paths of "sociology" and "politics" and even veered towards "anthropology." To contemplate social changes or "structural obstacles" in underdeveloped countries, Furtado clearly disposed of traditional academic boundaries. In other words, he took on a daunting and/or heroic task: he attempted to "bridge" the divide between sociology and economics.

It was also during these years that his political ideas became more radicalized; he discovered that he was not just another "technocratic" advice agent "free of values." During this period, Furtado also resumed his rapprochement with Marx, which helped ennoble him further; he discussed and criticized him, discarded his theory of value, only to finally assimilate his notions of social classes and the State, exemplifying just how enigmatic and profound the turn of events in 1963-1964 must have been to Furtado.

Rethinking Capitalism and the Industrialization Process, 1964-1975

Exiled by the military regime, Furtado left Brazil and passed through Chile on his way to the United States of America. In ECLAC, at the offices of the ILPES, Furtado discussed the material that would become part of his next book *Underdevelopment and Stagnation in Latin America* (1965). Among those assisting, were the names of those so often mentioned as the theorists of "dependency theory."

In the book, Furtado presented the first "structuralist" model of stagnation; but the book in its entirety presented all the conceptual characteristics that would later appear in the coming publications under the above-mentioned denomination. It clearly highlighted the social-political forces that are the basis of "internal" or "external" dislocations of an economy which constitute the conditions of existence of "underdevelopment," so Furtado argued, notwithstanding the industrial base of some of the economies in question.

The text was the culmination of what was to be Furtado's specific "structuralism." Although in this book Furtado exhibited a very pessimistic view of Latin American economies' past and future rate of growth, industrialization, and social transformation, with hindsight we understood that the aim was to criticize and exhibit his disapproval of the social and economic asymmetries of the societies in the region, which was confused with an apparently inherent "stagnation" *tendency*, conceptualizing the exclusionary mechanism of social complexes like "capitalism", which excludes the majority from the fruits of its technical progress. Furtado for the first time undertook an analysis, with a very nationalistic overtone, of the role of foreign capital in the conformation of the debt pattern and its productive role in Latin America. This was a theme that would never again become peripheral to his intellectual and political activities.

In its inception, ECLAC always regarded foreign capital as merely a transitional phenomenon in Latin American economies, required only to undertake the initial process of capitalization and industrialization. Furtado felt betrayed by the United States' promises and policies explicitly stated in the Alliance of Progress during his period at the forefront of development of the Northeast, which in part also explains his pessimistic tone after the Brazilian Military Coup.

Furtado started with an examination of the "external" factors that he believed crippled Latin American economies (U.S. policy), and then moved on to describe the "internal" limits of the industrialization process within Latin America. In this aspect, he argued that once the easy phase of the industrialization process was over, in other words the phase aimed at substituting certain consumption goods previously imported through local production, which in real terms managed to incorporate a comprehensive number of the population within the growth of the economy, the next phase, involving the more capital intensive sectors, was bound to collapse.

Furtado considered that the substitution of capital goods imports with local production required an overly intensive capital function, which in turn implied a higher level of savings requirements and income for imports. But this phase, exhibited certain negative aspects since it only absorbed a relatively low level of the labor force from the "backward" sectors of the economy. Aside from the fact that the capital-intensive function implied a much higher level of savings, which the upper classes did not and could not supply given their traditional historical behavior, the reduced market for its goods impeded the benefits of fully-fledged economies of scale.

As a result, everything seemed to work towards lowering the productivity level of the economy (not just the capital-intensive sectors), thus ensuring the stagnation process of the Latin American economies.

If Furtado was belied by the so-called "Brazilian miracle," with rates of growth in the manufacturing sectors reaching up to 10 and 12 percent annually, in the late sixties and early seventies, he soon incorporated these new aspects into his future analyses of the Brazilian "model" of development. From *Underdevelopment and Stagnation in Latin America* onwards, Furtado would emphasize the historical aspects and role of the social classes leading the development process. Thus, Furtado was able to provide reasons to explain the ("unexpected") growth pattern of the economy in question.

In the *Analysis of the Brazilian Model* (1972), Furtado started by explaining the conformation of the Brazilian State with Vargas, and went on to illustrate that the growth pattern of the "Brazilian miracle," owed its effort to the incommensurable concentration of wealth amongst a reduced minority, which was the only way to sustain the intensity of growth of the industrialization process based on the production of durable consumer goods.

The economic policy was implemented by the "concentration" of income in fewer hands, not through its spread across wider strata of the population. State intervention in the economy, offering lower interest rates to businessmen and to potential consumers of the upper strata, enabled and induced a consumption pattern similar to that which existed in the industrial Centers, but without the corresponding level of savings. It was this policy that drove Brazil's deficit on its external accounts sky-high during the 1980s which generated an un-payable foreign debt pile.

The economy was composed of two unrelated markets,[16] a massive consumer sector, with a very low productivity turn out, due in part to the State's policy of maintaining salaries low; and simultaneously the market that produced durable goods for a modern lifestyle *imitated* from the industrial Centers. Furtado claimed that a very "specific demand" was in process, for a very particular structure of production, hence we had high levels of growth and at the same time, a growing majority of the population untouched by the fruits of the technological progress.

[16] This is clearly the theme in *Economic Development: A Myth* (1974).

Hence, it was easy for Furtado to leap towards a "cultural" theory of dependency, reiterating his sociological theorization of the agents of production explaining their behavior. Unfortunately, the "modernization" process was anything but a universal phenomenon. Its effect only reached and extended to a minority, which managed to impose a developmental pattern and values that were nevertheless unfelt by the rest of the population. It is obvious that Furtado here used the notion of "modernization" in a plainly sarcastic tone, since the so-called "structural functionalist" theory of modernization assumed it as an irreversible and universal force once it got under way. We cannot but mention the obvious similarities to today's discussion on "globalization."

By now, the economist ingredients and the iron law of "stagnation," proposed by Furtado in *Underdevelopment and Stagnation...* (1965), had withered away by his historical and sociological explanations. There was no automatic reproduction of any "tendency" in the economy, or hidden hand guiding it, but rather it was plain that it required a clear intervention by the State to give it some direction. And the social political forces which dominated the State in Brazil during the 1980s put aside the social reforms as well as some form of planification of the activities of its public enterprises.

On the one hand, Furtado's analysis of Multinational Corporations (MC) took on a greater significance in his studies of "capitalism" in general from 1964, but his perspective and intention to understand their dominance, and explain it under an all-encompassing logic swayed by US's global policies, actually threatened, on the other hand, at the very least, to undermine the specific structuralist accounts that he's been distinguished for. His insistence during the seventies, that a world capitalist superstructure was under construction, led by the US but on some occasions and in some versions in combination with the EEC (European Economic Community) (to control disturbances of capitalism, like the petroleum shocks in 1973, or the regulation on the use of certain raw materials), puts his analysis extremely close to those "structuralist functionalist" and teleological accounts of capitalism of which he so justifiably made fun of on other occasions.

During the 1980s, this problem became more complex in his writings because his own descriptions of the USA's commercial and industrial decline, vis-à-vis Japan and the EEC, dictated a new notion to explain the heterogeneous forces and politics of the MC and States in question. Thus, from a "multipolar" notion of political and economic power at a world level, we could end up, under this logic, into a "unipolar" world after the demise of the Soviet Union, which could hardly be the case in economic and political terms given Japan's and the EEC's rapacious nature.

All this was pointing towards a theorization that Furtado was trying to

undertake at a much more general level, which explains his onslaught, once again, on economic (positive) science, found in *Economic Development: A Myth* (1974). Furtado was thus preparing new theoretical ground, which takes us to the next stage.

The Prophet Returns: 1975-2004

In *Preface to a New Political Economy* (1976),[17] Furtado made desolating claims: "structuralism" had made an important and heroic assault on the fortress of conventional economics. The absence of its categories in the fifties and sixties would have been catastrophic for Latin America, but it had served its purpose and had entered a process of "diminishing returns." In isolation, such pronouncements might have seemed to many as the end of a long theoretical tradition in Latin America. However, for Furtado it was a period of theoretical experimentation, proposing nothing other than a complete overhaul of conventional and structuralist economics. What was needed, Furtado went on to argue, was not so much an interdisciplinary approach or method to study Latin America's problems, which was to be his claim in his next book, *Creativity and Dependency* (1978), but a new "general theory of social formations."

To undertake this theoretical reconstruction, Furtado rescued a forgotten view from his younger days: the notion of the "surplus product" (Furtado 1954). The category was to serve an explanation of the rise and fall of empires, nations and the "industrial civilization." Its appearance and reproduction had specific mechanisms of appropriation ("authoritarian" and "commercial") by specific social classes, as well as the way it was distributed. Whereas in *Preface to a New...* (1976) Furtado posed these questions in terms of a "Preface" of a book yet unwritten, his future texts provided the new theoretical vocabulary emanated therein, which can be seen in his 1980 book *A Brief Introduction to Development. An Interdisciplinary Approach*, which comfortably intermingled with his "old" version of "structuralism."

Furtado turned to the Physiocrats, rather than to classical political economics, to reconstruct social theory through a new perspective on the role of accumulation but with special reference to underdeveloped countries. What was required was a new theory of accumulation, rescuing those elements which were omitted by classical and modern economics alike. In this sense, although Furtado did not acknowledge it, he moved closer to the ideas of Marx. Furtado showed that modern economics, especially since Keynes, saw the process of accumulation as a liquid corporeality form reservoir, represented in the account books, which could be freely put into operation. Furtado explicitly ridiculed the notion that

[17] It is interesting to note that it was during these years that Prebisch too is rethinking the Periphery through the notion of the "surplus": his articles appearing originally in the *Review of the CEPAL* from 1975 onwards were to be integrated in his book *Peripheral Capitalism* (1981), according to Furtado it was just plain coincidence. See Furtado (1998b in Mallorquin 1998).

digging holes to fill them up again or constructing China's Wall could be considered as "productive."

Examining this theoretical move, it would be difficult to question Furtado's position without simultaneously bringing down with him a long-established tradition in modern and classical economics. But the theoretical status of his postulates changed when he elaborates the distinction between the "accumulation" that takes place in the industrialized countries and an *apparently* similar process in underdeveloped countries. Furtado argued that in the latter case, a certain "accumulation" was not "productive," because it took place "outside" the productive process. Here he seemed to be pointing to a whole series of uses of the "surplus" to generate luxury goods which do not amplify the radius of the productive value chain, nor does it intensify the productive capacity of an economy. But even if this interpretation of Furtado were adequate, it was still not very clear which of the production processes were "productive" and which were not, in terms of the existence or otherwise of a "surplus."[18] In other words, if the "appropriation" of the surplus is achieved through the process of production, which are those components of the labor process which were lacking in competence to generate a "surplus" in a specific geographical location?

During the 1980s, with the coming to end of the military regime and the democratic movement in progress in Brazil, Furtado was allowed to return to his country and formed part of a political group built around the former Brazilian Democratic Movement (MDB) that along with the participation of other political clusters led to the creation of the Party of the Brazilian Democratic Movement (PMDB). In fact, Furtado kept close to the PMDB, taking on an advisory role on economic matters during the first five years of 1980s. During these years, he decided to concentrate on his theoretical-political work.

The notions of accumulation inside and outside of the productive system, and the notion of the surplus mentioned above in his previous books, remained in the background or they were conflated with the more orthodox meanings of the declining "capital-product ratio" for the economy. Aside from his return to Brazil, his advisory role, and later incorporation into Sarney's government, he was obliged to write and reformulate answers relating to his participation in past economic policies.

The books that Furtado wrote during this period showed him to be "putting history in order," clarifying and establishing responsibilities. As a public figure, Furtado underwent important changes. In 1985, he was named Ambassador to the European Economic Community, and shortly later Minister of Culture, a responsibility from which he resigned at the end of July of 1988.

[18] Prebisch also has a series of similar problems to differentiate between "productive" and "unproductive" investments, during his theoretical transition after 1975.

During this interlude, in contrast with his immediate past, his writings suggested an eminently "political" strategy which formed part of his commitment to a democratic regime and the reconstruction of a more just social economic development.

These years saw the publication of three almost autobiographical texts. *The Fantasy Organized* (1985), which narrated of his activities prior to and during the 1950s while he occupied his post within ECLAC, the struggle for its creation. *The Wrecked Fantasy* (1989), which dealt with the interlude in which he headed certain governmental departments in Brazil (1958-1964) until he became the Superintendent of the Northeast (SUDENE) and as Minister of Planning (these two books, by way of retrospective, described his intellectual formation and insertion into the administrative apparatus of the Brazilian State). Finally, *The Winds of the Change* (1991) concentrated its deliberations around an endless number of thematic theoretical-political discussions, as well as his experiences as an "exile" in different countries between during the sixties and eighties. Special reference was given to his visits to various universities and international institutions. The text also included several unpublished texts from the past which were censored by the military regime and his reflections on some countries. Nevertheless, I reiterate that these were texts that tried to pinpoint "the responsibility that fit him" as the intellectual and State policy designer.

Finally, an account in his own words of his theoretical evolution appeared as an article in 1987 "Underdevelopment: To Conform or Reform." The autobiographical books (the two "fantasies" of 1985 and 1989), *The Winds of the Change* (1991), as well as *Brazil After the "Miracle"* (1981), are integral texts in the sense that they apparently were designed as such.

Previously, *The New Dependence...* (1982) revolves around two central chapters, and the format is directed towards the academic establishment. In contrast to the latter books, we see *No to Recession* (1983), and *Culture and Development* (1984), which incorporated a series of articles with relatively dispersed themes, initially in the form of journalistic notes and writings appealing to the general reader. In the former book, Furtado's position is spelled out with respect to the problem of the external debt, a thesis that was practically adopted by the Government of Sarney when Furtado oversaw the Ministry of Culture. The latter, through the thematic progress of its chapters, clearly denotes the exercise of his role and responsibilities assumed under Sarney's government.

On the other hand, almost all the articles produced during this decade showed an approach towards the "culture" of Brazil and the participation and misfortunes of the diverse and heterogenous regions in their process to constitute the "nation," as well as their latent fragility given the incommensurable inequalities between and within them: the inherent heterogeneity of the social relations product of the power asymmetries.

Therefore, Furtado seems to be presenting the need for a new sort of federalism, which he viewed as vital to integrate the great masses that had remained unempowered by the "bad" development of the Brazil under military rule. In *Culture and Development* (1984) we find a chapter dealing with the notion of an "endogenous development." Likewise, he spoke about the functions of universities, and especially those located in the Northeast, where the role of a simple instrumental rationality, if not questioned, could only but delay the enormous projects of research still needed to be undertaken.

The discussion centered around the role of the "creativity" of man seen previously in other books, and the fundamental importance of a clear political will to materialize its visions and projects. Retrospectively, he tells us that the existence of greater quantities of information to face the crisis that afflicted the country made it feasible to surpass the role of "spectators of history" (Furtado 1984: 33), and become its true agent. Furtado believed possible, notwithstanding the conceptualization of the world economy and the diagnosis of Brazil, an "endogenous development" process for the country which could break the chains of the transnational capitalist exclusionist model. In fact, we had to wait many years to hear him propose concrete approaches and measures around the "self-transformation" of Brazil, a problem that recalled his perspective of the first years of the 1960s.

The discourse on the role of national sovereignty, as the means to treat the problem of external debt, and how to confront social inequalities, exhibited an eminently political diagnosis. At the same time, the detailed analysis of the Brazilian situation and how to defeat adversities and promote its development under the logic of an "auto-centric" capitalism, echoes the return of his "structuralism" as a central guide with its emphasis on internal and external structural factors.

We could also note that he incorporated the theoretical vocabulary present in the texts of the recent past about the conformation of a new "capitalist world totality." The analysis of the configuration of world capitalism under the leadership of the MC, a totality safeguarded by the United States, does not seem to give rise to a "political superstructure" that could organize the new emerging entity. On certain occasions this was advanced as a process still in the making; or alternatively, the power of the United States was simply assumed as the organizing umbilical Center of the whole.

Furtado emphasized simultaneously the consequences of a relatively high growth rate of the Brazilian economy, and the fact that it might be materialized within its domestic market, without forgetting its highly negative exclusionary effects. He held that the future of Brazilian capitalist industrialization, supported within its own domestic market, would suffer serious traumatisms if deep "structural transformations" were not carried out.

The description of the so-called "economic miracle" underlined most of its aberrant consequences: vast inequalities at the level of personal incomes

as well as intra and inter-regional dislocations. It was by no means an apologetic description of the growth of the Brazilian economic formation; the description of its economic history was overturned to emphasize that the "miracle" created debt and dismantled the economy. Under the weight of a sizable foreign debt burden correlated to the pattern of the industrialization adopted during the 1970s, the economy began to lose control of its "coordinating Centers," and Furtado now presented its recovery as one of the first tasks to carry out; the economy had entered a process of total financial disorder as a consequence of the internationalization and the modus whereby many pompous projects were financed.

The State's participation in economic infrastructure and productive sectors was carried out without any type of programming or control. *Brazil After...* (1981) and *The New Dependence...* (1982) showed the vital need to transform Brazil's industrial pattern. The central theme of *No to Recession...* (1983) was therefore already implicit in the texts. The industrialization pattern generated in Brazil, with highly intensive capital production functions, required a relatively higher degree of savings. The government opted to index savings invested in domestic bonds to the foreign exchange rate, which led to the conversion of the dollar into a currency of "first" importance and the cruzeiro, the national currency at the time, into one of "second" importance. In addition, the Treasury paid interest rates according to international rates and lent in local currency at almost a negative rate of interest.

Public sector companies "hypertrophied," lacking any control or any kind of programming, simply fell heavily into debt with the euphoria of the Brazilian "miracle," even though they were created primarily with the intention of raising exports and acquiring foreign currencies. Inflationary "pressures" (*No To Recession...* 1983) were essentially the consequence of low productivity levels and disarticulated production units, not a "monetary" phenomenon. It was more than obvious that they required restructuring, reminiscent of the "structural" theory of inflation developed in the early 1950s.

Subsequently, when Brazil came close to moratorium and was forced to renegotiate its debts with the IMF, the strategy promoted by this institution implied repaying the debt and simultaneously dismantling large parts of its industry, as had been previously experienced in Argentina and Chile.

But the inflationary phenomena could not be resolved by the application of monetarist medicine because two quite different forces were in play. On the one hand, the "*propagation*" was the fueling mechanism of the inflationary "*pressures*"[19] related to the control of the financial apparatus and the manner by which they were articulated within the Brazilian economic structure, and on the other, "pressures" the means by which distinct sectors defended their income level. The restoration of the industrial organization was necessary

[19] These concepts first appear in Furtado 1954 and become the basis for the "structuralist theory of inflation," which subsequently appeared in the classic texts of Noyola (1956) and Sunkel (1958), see Danby (2005).

to down-tone the origin of the "pressures." In other words, "inflationary" processes are not a monetary phenomenon, they represent the antagonism and the manner whereby agents struggle for a pattern of redistributing income.

He maintained that a greater integration into the global market through the export of manufactured goods was necessary and unavoidable, but argued that given the technological surpluses of industry and the circumstances of the "world economy" at the time (mid-nineteen eighties), a selective positive discrimination should be made in favor of some of its branches and sectors.

If the economy, and especially public sector industries had been held on some kind of leash, they would not have been able to get into the disastrous debt situation that they did, and their produce would have been incorporated quickly into the productive circuits, reducing the demand that they themselves procreated, which would have lessened much of the inflationary "pressures," and "propagation" forces that ensued.

The problem resided in raising domestic productivity so that it could cope with the enormous existing demand. According to Furtado, the pre-eminence of the neo-liberal discourse on the market, viewed as the savior of the situation, complicated matters because what was in fact needed was the establishment of an internal globally programmed strategy and a consensus among the diverse social and economic forces, so that a fair distribution of the sacrifices among them could be constructed.

Rising prices are little more than a sign that certain social groups are being sacrificed. In an analysis of the serious inflationary situation afflicting Brazilian companies, it was necessary to distinguish the basic causes (the generating foci of *pressures*) from the *propagating* mechanism of these price pressures. The expansion of the means of payment and monetary correction are simply the propagation mechanisms (Furtado 1982: 45).

In Furtado's view, freely escalating wages by themselves do not generate inflation, but they do enable its "propagation," that is to say, they enable the materialization of inflationary "pressures" to occur. Wage compression breaks the process of propagation and complies with its assignment to concentrate income. Inflation does not end through an institutional setting, in terms of a change in the statutes of the central bank or fiscal reforms, etc. It is:

> necessary that a consensus ensue at the level of those who make decisions with respect to the environment of action of the government regarding the priorities which the action of the state should obey. In modern pluralist societies that consensus is obtained, with the mediation of the political class, through the representative organs of the popular will. (Furtado 1982: 46)

The roots of the inflationary pressure stem from excessive incentives given to the private sector which in turn generated excessive public sector spending.

To eliminate these roots, relative prices should be restructured, to maintain levels of exports without subsidies, and to adapt global expenditure of the State to its effective capacity for collecting real resources (instead of bonds articulated to a rate of interest established externally), without reducing the private sector's productivity and without generating social tensions.

The illusion of the "Brazilian miracle" was empowered and deepened in the Brazilian economy through the country's external debt. It was believed that the economy was at its full peak when the circumstances of world trade were not promising. With the oil "shock" of 1973 came the need for extensive structural transformation and an alternative pattern of economic development which was less reliant on the consumption of oil. In fact, external debt as a momentary "solution" obstructed viewing the fact that the trade balance was no longer favorable, and that an intense restructuring of the whole economy was required. The capital account showed a surplus due to the ridiculous conditions that were imposed on capital entering or leaving the country; at the same time, both the form in which domestic bonds or treasuries were indexed to external rates of interest as well as the fluidity of debt, procreated the idea of an endless economic "boom."

Notwithstanding, Furtado argued that the strategies to face the problem of external debt and its repayment required that its "solution" should be posed as part of a policy "problem" and its alternatives. In the first instance, the payment of interest on the debt should not sacrifice growth, which should necessarily conform the basis for the continuance of such repayments without restricting economic policy, which obeyed a view of opening up the economy without any sort of differential discrimination towards specific sectors. The insertion into the international marketplace should be promoted in those branches and sectors whose possibilities of adaptation and survival were more reliable. Nevertheless, the reports of the IMF policies prompted the adoption on the part of Brazil of an internal/external policy with the aim to produce dollars, which invariably meant reducing domestic social expenditure, assuring the free incorporation of international segments into the national economy and the dismantling of the national productive apparatus. Through "recession" and the decrease in public expenditure, imports vital for continuing the process of industrialization were reduced considerably, which implied elevating the overall cost of this process.

Subsequently, Furtado did radicalize his position on the debt of Third World Countries, and argued that "moratorium" as the "smaller of all evils," (Furtado 1999) founded on the basis of the eleventh chapter of the Code of Bankruptcy of the United States of America.

On the other hand, the context of the political struggle for the reconstruction of democracy in Brazil at the beginning of the eighties, and the structural instability of its economy, cannot explain the theoretical passion with which he returned to the issue of the Brazilian Northeast. The question

of the "Northeast" was always one of his crucial life existence themes, both in personal and political terms, whilst the interpretation of the industrialization process was the other.

One should, therefore, examine the evolution of the Northeast post 1964, and their effects on the views of this Brazilian "Northeastern" economist. Almost two decades after the *coup d'état*, he proposed again that the SUDENE acquire independent functions of direction over the future of the region, which under the military regime had been destroyed, losing its executive capacities in exchange for a more deliberative participation. Because it was an important advisory entity to the Executive it was integrated, like other entities, within the confines of the Ministry of the Interior.

Without a doubt, important changes in Furtado's perspectives were clearly visible here. In the first place he gave a high priority to the promotion of self-administration of the Northeast on the part of its population so that it could solve "its" own problems. The thesis repeated was that a new model of development would have to be invented by the people of the Northeast themselves. The importance was fundamental and thus invited the need to constitute "cooperatives" and a process of land reform which could release the "creative capacity" of the local population.

The leading discursive element was its "anti-technocratic" stance and the demystification of the role of the "Prince" as a supreme guiding Center of the process, which went a long way to criticize his own previous conceptions and policies. Overall, the industrial structure had not undergone great mutations in the Northeast; the industrial sector did not elevate its relative participation in a resounding way, and the agricultural sector maintained its relative regional importance. The absence of interregional industrial links can be explained by the predominance of "the dynamic" industries, highly dependent on resources and products originating from the Mid-South. Thus Moreira (1976) concluded that it is easier to explain the situation of the Northeast as part of a centripetal expansion of capitalism, than as a regional problem unto itself.

Furtado's more pragmatic vision underlines the issue that the fundamental problem is no just eradicating inequalities, which exist everywhere. Although eliminating inequalities is important, what is needed is rather the:

> transformation of society in Brazil's northeast in order to enable development to effectively benefit the mass of the population. If the standard of living of the northeastern rural man is not raised deliberately, if he continues to be subjected to hunger and ignorance, the social structure of the whole country will tend to remain semi-immobilized, reproducing and worsening the extreme inequalities that characterize it at the present moment. The strategic target should be to open up space so that those that are really at the bottom of the social scale can become active agents of development. That first boost,

> which can finally break the structures that imprison those that are the lower social levels, will only be produced as a consequence of a decided political will. (Furtado 1981: 121)

During the 1990s, Furtado reiterated the need for social reforms and ways to sponsor a policy which could break the stronghold of the exclusionary and imitative Western-centric pattern of Brazil's development: *Global Capitalism* (1999) and *Looking for a New Model* (2002). In terms of these ideas, many dependence theorists and critics of Furtado in their younger days became part of his entourage and came under his sway. He offered his intellectual support everywhere, especially to the "movimento sem terra," (landless movement), as well as to President Lula, on whom he lavished plenty of elegant words hoping he would have the "courage" to undertake the land-reforms so vital to kick-start the social changes Brazil needed. He struggled for social equality until his very last days through an endless array of proposals and proclamations.

Celso Furtado died on the very same day that Lula administration deposed his *protegé*, Carlos Lessa, from the presidency of the *Banco Nacional de Desenvolvimento Economico* (BNDES. National Bank for Economic and Social Development). At his death, he had become a world-renowned personality, and various universities had acknowledged his considerable abilities and achievements by awarding him honorary doctorates. In 2004 a movement grew within Brazil, which put him forward as a candidate for the Nobel Prize for Economics of that same year. In recent decades, few intellectuals in Latin America can be said to have kept the flag of democracy and development flying so long and as high as Furtado. Long live Celso Furtado!

Chapter 4

Theoretical Misrecognitions as the Source of Development Theory *Déjà vu*

Ah, what happened to you, written and painted thoughts!
Not long ago you were so colorful, young and malicious,
so full of thorns and secret spices that you made me sneeze and
laugh –and now? Already you have doffed your novelty,
and some of you, I fear, are about to become truths:
so immortal do they already look, so distressingly honorable, so boring!

Nietzsche

Introduction

This chapter describes an episode in economic theorizing in Latin-America during the 1950s. After a brief glimpse at economics (*The End of Postmodern Economics*), it examines Albert O. Hirschman's theoretical evolution before his work on development (*On the Road to the Mecca of Development*). Then the story moves to examine the structuralist vocabulary of Celso Furtado and Raúl Prebisch (*Disembarking at the Mecca of Development*) and returns to Hirschman once again to scrutinize his classic work on development (*Mr. Hirschman Through the Looking Glass*). Lastly, in (*Remembering the Future*) I argue that structuralism can certainly be examined as a feature of a cyclically found and lost tradition in economic thought that insists on highlighting the power asymmetry of the social relations to understand the evolution of the economy and its agents. In this last segment I attempt to make a defense for Latin American Structuralism, contradicting the worst and perhaps silly occurrences which were said about the perspective. Given that this story tries to recover the notion of development for today's reexamination of policies in the "Center" and "Periphery" alike, we can say that if it wasn't for Hirschman's work, perhaps Latin-American structuralism would have not been heard at all, given that nobody was obliged to read or publish in Spanish or Portuguese then or now. I was told once by perhaps one of the most important sources in Western-centric academia on these issues (Joseph Love) that having asked for a research grant to develop a work on these matters, one of the reviewers said he had never heard the name of Raúl Prebisch, circumstance which perhaps the chapter might redress a little!!! But today we are under an inverse phenomenon, paraphrasing Mirowski and Nik-Khah (2017), a vast amount of "knowledge" on Prebisch and Furtado is lost to the "information."

Although development theory had its heyday between the fifties and the mid-seventies, recent revivals (Chang 2003, Toye 2004, Vernengo 2007) bring to mind a series of theoretical misinterpretations which are valuable to

recall, especially for Western-centric readers. Some even find the discourses surrounding the notions of growth and development as part of a forgotten or lost world. As Jolly *et al.* explain:

> One of the more interesting *discoveries* that digging into UN archives of the 1950s brings out is the central role of the UN in development thinking regarding two major issues which have been at the genesis of the emergence of development economics as an autonomous branch of knowledge and which even today are at the heart of the debate on development. These are the role of the state versus the role of the market and the role of external versus internal factors. (2004: 51, my emphasis)

Certain aspects of Krugman's work on geographic economic differences are interesting, however we find a phrase which establishes that "the theory of economic development was correct" (Krugman 1995: 29) mentioning A. O. Hirschman as its genealogy and intellectual hero, and yet nearly the whole story is left untold or "skewed." Much of Hirschman's classic work published in 1958 (*The Strategy of Economic Development*) leaves out most of the theoretical and practical debates of the fifties and sixties at the Economic Commission for Latin America (ECLAC)[1] and other institutions.

As seen above much of which was constructed in Latin America as "structuralism" during the fifties had a very specific theoretical source and perspective: 1) the questioning of orthodox economics, 2) the construction of a theoretical tradition, and 3) the theoretical recovery of the historical conditions of the agents to understand their behavior and their calculus. Indeed, like the institutionalism of the 1920s, most of its promoters were intellectuals that composed the first generation of ECLAC functionaries.

This could be put in a somewhat more elliptical fashion: if Keynes thought that neoclassical thought was a "special" case, structuralists like Raúl Prebisch and Celso Furtado argued that Keynesianism was just another "special" case within the corpus of the economics mainstream in general, which in turn should be transformed to think not only the Latin-American problematic, but mainstream's own conditions of existence and its pretense of "universality."

We will see that in a similar fashion Hirschman's vocabulary on development went through an analogous conceptual transformation once he discovered that those elements perceived in "underdeveloped" economies that inhibited its "proper" functioning could also be found in "developed" ones.

Initially the theoretical strategy adopted by Latin-Americans in the fifties (later on called "structuralists") was to refuse the relevance of economics' general categories, arguing that they could not explain the specific structural features of "underdeveloped countries," and therefore the reconstruction of the theoretical vocabulary was required for its own specific field of application,

[1] Later its acronym includes "the Caribbean."

but the process finally culminated with a general perspective which could be used to examine and explain the “Center” and “Periphery” economies alike.

Krugman’s reminder of Hirschman as one of the most important pioneers in development thought is not in doubt here, but Hirschman certainly took his time to signal or articulate much of his ideas to Latin America’s own pioneers in the field. In his classic work *The Strategy of Economic Development* (1958) much of his *vocabulary* seems consciously constructed so as not to be confused with them, in *other words,* pardon the pun intended, they both shared some similar notions.

Nevertheless, the publication of Furtado’s review (Furtado 1959a) of Hirschman’s book *The Strategy...* (1958), scolding its author for his omissions of ECLAC theoretical and practical discussions on growth and development in Latin America, brought about important changes in the way Hirschman communicated certain intellectual currents. Undisturbed, Furtado stated:

> This book is an extremely useful reading because it shows much more a desire to comprehend a reality of underdevelopment and lagging development than a preoccupation to submit reality under a pre-established academic scheme. He is a heterodox in his own way (...) Analyzing this interesting book by Hirschman, we cannot but reflect on this point. Large part of what is said in the book was already said and repeated by Latin-American economists. Particularly, the analysis of the problems of the external disequilibrium and of inflation is for us extremely familiar, that is why they are less interesting. Meanwhile the author nearly does not quote the Latin-American bibliography and, in particular, the contributions of ECLAC. Given that the bibliography is well known by Hirschman, who opened his eyes to the problems of underdevelopment in Latin America, it is possible to deduce that there exists a deliberate purpose to ignore the contribution of the organ that acted as an authentic pioneer in the field of the study of underdevelopment and especially, in the analysis and interpretation of the Latin-American economies. (1959a: 64)

Without a doubt this brought on an important change in Hirschman’s evaluation and acknowledgement, to say the least, of the issue about the presence of “indigenous theories” (Hirschman 1961a: 5). Judging by the latter book, the vocabulary of “structuralism” takes on a much more prominent place and mention, especially as an alternative explanation of inflation vis-à-vis the orthodox perspective, including Prebisch’s perspective and theory on the “Center”/ “Periphery” where it gets a short and honest presentation. But from then on, for example, in the book *Journeys Towards Progress* (1963), more than four years after his classic work *The Strategy...* (1958), Hirschman never lost the opportunity to recall the structuralist perspective.[2] Indeed, *Journeys Towards Progress* is dedicated to one of its founders: Celso

[2] See also Hirschman on “structuralism” (1961).

Furtado[3] as a "reform monger." Notice nonetheless, that the notion is much closer to a "dealer," a "haggler," a "negotiator," or politician instead of an able theoretician.

The End of Postmodern Economics

Hirschman's own social milieu and political proclivities of his early days as an anti-Nazi operator (Hirschman would immediately retort saying "my Weltanschauung"), as well as his intellectual formation explains to a punctuated degree his intrinsic subversive tendency to question orthodoxies in general. Meldolesi emphasizes that:

> It is important to remember that, for a series of reasons, generally not considered, economy in that epoch in France [in the thirties] some peculiar characteristics have occurred: a practical inclination towards the description of economic facts, some tolerance with respect of the several different schools of thought (liberal, historical, social, mathematical, sociological, etc.,) and a marked interest for the political aspect of the economy. From here (and from Henry Pommery's course at the École on money and banking) probably grew his interest [Hirshcman's] to start an investigation on France's monetary policy of the twenties and thirties, conceived in London and concluded in Trieste. (1997: 20)

For our story, similar positive conclusions can be derived from the promiscuous and "postmodern" intellectual and academic landscape under which Celso Furtado received his academic formation, especially his doctoral thesis in Paris in 1948, under the guidance of Maurice Bye, one of Perroux's disciples. In contrast, Raúl Prebisch (18- and 13-years Furtado's and Hirschman's senior respectively) was a totally different kettle of fish. The social and political milieu at the Faculty of Economics of Buenos Aires had just undergone a reform in 1918 when he started his studies, outstanding among them was the freedom of students not to attend classes, which Prebisch exploited to the fullest. What marked the difference in the Faculty, until he was forced to leave in 1948, was the presence of two prominent intellectuals: Alejandro E. Bunge (1880-1943), the "first apostol" of industrialization (Prebisch 2006), and Luis Roque Gondra (1881-1943), perhaps one of the most outstanding of Pareto's disciples. Thus, on the one hand a F. List follower, and on the other a guardian of "Laissez-faire," up to a certain point. With Gondra the mathematization of economics was based on the hegemonic currents of mathematics of the time, the influential views of Vito Volterra (Weintraub 2002). Part of this work was carried out by Ugo Broggi (another professor of Prebisch), from whom, perhaps in his younger years, Prebisch heard that he was trying, long before Gerard Debreu, to prove the existence of general equilibrium (López 2000).

[3] Also, to Carlos Lleras Restrepo, a Colombian intellectual and politician.

On the Road to the Mecca of Development

As discussed further on, notwithstanding certain similarities between the Latin Americans mentioned, and Hirschman, as to the role of reforms and reconstructing the economy as well as the appropriate mechanisms induced through which the growth/development gets started, their divergence cannot be any further apart with respect to the theoretical strategies of reconstruction, and supersession orthodox economic thought alike.

Among the factors that promoted growth and development as a political and conscious policy objective in Latin America was the creation of ECLAC in 1947, which in turn was born under the drive for the political and economic reconstruction of Europe after World War II. The Marshall Plan and the Economic Commission for Europe were the basis for the "impertinent" idea by Latin Americans at the UN to create a similar organization for the region. The U.S. had alternative plans because it wanted to launch its project of development under the tutelage of the Organization of American States (OAS), created in 1948 and under its control. ECLAC started initially with a first three-year life trial; subsequently, a decision was to be taken if it were to become a permanent UN body. With the support of France and other Latin American countries, the opposition of the U.S. was defeated and in 1952 ECLAC established its new lease on life.[4]

Hirschman was quite close to these developments in Europe before he decided to move to Colombia in 1952. Before his arrival in Latin America, most of his work from the late thirties onwards concentrated on the international economic order: in 1939 he ventured into a study on the statistical trends of foreign trade (Hirschman 1939) and by 1945 he published his first book, *National Power and the Structure of Foreign Trade*[5] where Germany's foreign policy for the post first world war period and the rise of the Nazi regime were analyzed. Its focus was the function of commerce and foreign trade as the basis for enhancing national power. Therefore, the central role in the book of examining the trends in world trade between different nations and the importance of economic policies which tends to diversify the commercial external flows of some countries became the basis to curb their "dependency" or some sort of domination vis-à-vis other countries.

In *National Power,* Hirschman also illustrates the inadequate established view that the great bulk of world trade was undertaken between countries producing raw materials versus manufactured goods. Thus, Hirschman shows early his ability to question the prevailing orthodoxy, emphasizing the heterogeneity of the countries in question as well as their trade patterns.[6]

[4] For more details see first chapter, Santa Cruz (1984), Mallorquin (2006, 2009).

[5] Hirschman published his seventh chapter in 1943 as "The Commodity Structure of World Trade" in Furlo-Blasco (1998).

[6] Although rather naively, Hirschman says: "Any future reconstruction of world trade should take into account the complexity of its structure which our statistics reveal. (...) The policy of all countries during the period of mercantilism was to prevent the spreading out of their par-

That work is followed by a few texts which examine inflation and deflation as well as exchange control in certain European countries; much of which was done when he became a functionary at the Federal Reserve.[7] And apart from his studies of the structure of world trade, Hirschman was quite oblivious of the economic conditions of the "underdeveloped" countries in Latin America.

His arrival in Colombia in 1952 (staying until 1957 working as a member of the Council for National Planning of Colombia during the first half, a post suggested by the World Bank, and the latter half as a private consultant), marked his first experiences and contact with the magical realism of the tropical rationality.[8]

As early on as 1951, Hirschman was already mentioning the "Notoriously inconsistent" policy of the most technically advanced countries towards the less advanced in hindering their policies and their desires for promoting some manufactured activity: "alternatively and sometimes simultaneously helped, feared and obstruct the efforts of these countries to acquire technical and industrial machinery" (Hirschman 1951c: 285); he was mainly focusing on the east central European countries.[9] He insisted reminding us of some of his 1945 conclusions on foreign trade and market power that:

> This development need not have any sinister consequences for the future of international trade; there will surely be space left for a profitable division of labor between nations. But it could be asked if this division of labor based on ability differences and the past history of the industrial development might not be more unstable than the simple and 'natural' labor between industrial and agrarian nations. (...) In each individual case, the loss of the preexistent international specialization will be small, although in aggregate figures these losses could be considerable. For this reason, the detailed disintegration of the

ticular skills and industrial arts. But this vestige of mercantilism has assumed a most beguiling disguise -that of the maintenance of "sound" international division of labor. An encouraging aspect of present thought on postwar reconstruction is therefore the radical change from the traditional outlook in this respect. Today [1945], schemes for the future industrialization of underdeveloped countries (...) are proposed and discussed on many quarters; and the future economic mission of the older industrial countries is conceived less as the mechanical workshop of the world than as the initiator and educator in industrial processes. International trade has nothing to fear from these developments, since there will probably always remain a fruitful division of labor between the various countries and parts of the world. But it is highly improbable that any *particular* pattern of the international division of labor will last forever. (...) But to conclude that the world trade is doomed because the traditional pattern of the international division of labor seems imperiled is one of these flights of imagination at the start of which we find a lack of real imagination: and incapacity to conceive of a state of affairs radically different from that which we have been acquainted." (Hirschman 1945: 150)

[7] As an example of some of his work of the period see Hirschman 1948a, 1948b, 1948c, 1949a, 1949b, 1951a, 1951b, 1951c, 1952a.

[8] Example of this work in that period: Hirschman 1954a, 1954b, 1955, 1956, 1956a, 1957a, 1957b.

[9] There is something which must intrigue anybody that has analyzed his work up to this period of his life and perhaps even there after: I have yet to find some mention or discussion in Hirschman of the Romanian Mihail Manoilescu (see Love 1996) or the German Frederick List!!!

> international division of labor that we have in mind here is dangerously probable while the nations continue in freedom to follow autonomous internal economic policies, while sectoral interests put pressure under the banner of the national interest, and while the special risks that affect the international trade, in contrast to the internal ones, have not been eliminated. (...) This division of labor is based more on a historical accident than on any basic difference in natural or human resources. (Hirschman 1951c: 296)

Even in his subsequent text he had not extricated himself totally from what can genuinely and legitimately be an industrialized country perspective and interests. Also, he spoke as a United States citizen. Thus, unlike those fears that in other industrialized countries prompted some policy strategies to inhibit the industrialization of some of their trading partners, Hirschman stated:

> In the United States those fears never became very important because the dependency of *our* economy from external supplies has always been quantitatively and qualitatively of a much smaller magnitude than those of the industrial countries in Western Europe. (1952a: 310, my emphasis).

Without any intention to downgrade in any way Hirschman's *early work*, which in some sense can be branded as very brave indeed, in Colombia and South America (1952-1957), much of it can be defined as "advisory" and "technical" with none of the "curse" which haunted D. Seers's work. In contrast to what could be thought as the run of the mill economic histories, the presentation of the economic descriptions of Colombia and Central America, and those aspects emphasized, seemed written as manuals to attract investment to the region. Nevertheless, although in similar light to his previous work in Europe, in Latin America he allows himself a much more open and participatory position in his evaluations of the themes, in part imposed on him given the scant information and certain limitations on the information gathered and the national accounts in question.

But once stationed in the tropics we can also see that he is willing to go further politically and theoretically and question several of many economic theses. His colleagues at the Federal Reserve would certainly have been flabbergasted to hear Hirschman state:

> There is *no economic law* that demands narrow and automatic parallelism between the means of payment and level of prices even though the experience of a period of several of years nearly always shows an approximate parallelism with the observation that prices nearly always stay a little behind the means of payment for the reason given in the previous point. (1954a: 325, my emphasis)

But an overhauling of the monetarist conception was not yet in his mind.

As Hirschman argued:

> (...) or when the means of payment rise without a corresponding rise in prices, it's obvious that the velocity of the means of payment has risen (...) having said this, nevertheless, even if it sounds scientific, *it does not explain nothing rigorously* (...) *The problem consists, precisely in knowing why the velocity of money has risen...* .(1954: 325, my emphasis)

In other words, Hirschman shows an interesting period of experimentation. He insists as "artificial" (Hirschman 1954a) the polemics on the topic as to whether the origins of the rise of prices is monetary or non-monetary (Furtado 1954). As discussed later, those years exhibit the deliberations on the nature of inflation, a crucial theoretical and political issue in the region; and perhaps Hirschman forms part of those few scholars able to understand its basis given his experience in the region. As Hirschman states:

> Equally, the economist does not have to wait for the economic and statistic documentation, even the most complete, to produce mechanically and automatically the best recipe; such documentation is an indispensable work instrument, that permits his orientation and the avoidance of many errors; but in the last instance (and this is in turn the most irritant and pleasurable of our profession), there is always an area of ignorance, variable interpretation of the facts and possible hesitation and discussion. (1954a: 336)

In Hirschman (1954b), where he describes certain experiences in the field in Colombia, we find what appears to be his first break with economics as a stabilizing recipe for macroeconomics misadventures. It is in reference to that work (a confession in 1961) that Hirschman says: "first work written on general problems of economic development," of which "various ideas, (but not all of them) were structured in a more systematic form in *The Strategy of Economic Development*" (1954b: 338).

In the latter text, Hirschman is not very amicable to ECLAC's role. His thesis against the notion of "balance growth," although not expressed in these terms, lurks huge in the background. He questions the "myth of integrated and global plans of growth" (Hirschman 1954b: 341) arguing instead for precise planned projects by sectors. Apart from various notes of "skepticism," (Hirschman 1954b: 353), ECLAC appears as one of the culprits of global planning,[10] as much as all those projects of growth and capitalization

[10] For many reasons, both theoretically as well as politically, in ECLAC the word "planning" was not used, especially during Prebisch's reign, but instead, the term "programing" which is a way to start questioning Hirschman's reading, that as mentioned previously had changed after Furtado´s recriminations in 1959. From 1961 onward Hirschman started speaking of "close adversaries" referring to Prebisch, Nurkse, Rosenstein Rodan. Also, the issue of the term "balance" comes to light, since most of the translations of Hirschman to Spanish and Portuguese use the term "equilibrio," that is "equilibrium," so unbalanced growth means in Spanish "crecimiento desequilibrado" or "desarrollo desequilibrado." It is interesting to note that in his letter to Andre Gunder Frank in 1959, Hirschman talks in terms of "disequilibriums" (Hirschman 1984: 105). The not so speculative point on my part is that Latin American structuralists used

thought in "The Point IV of the United States." Hirschman also complains that Nurkse's "demonstration effects," solely in terms of consumption, forgets or bypasses its counterpart: the "investment demonstration effect" given the high capital or technological intensity of the machinery used in Colombia and other underdeveloped countries. Years later Nurkse would be, if not the central focus, one of the most important theoreticians of "balance growth"[11] critiqued by Hirschman.

Just prior to *The Strategy of...* (1958), Hirschman's work involved, as mentioned before, simultaneously economic macro descriptions of Colombia and Central America, and a project and diagnosis for the creation of an electricity plant. Most of which is coauthored with George Kalmanoff.[12] On the other hand, having returned to the U.S. he published "Economic Policy for Underdeveloped Countries" (Hirschman 1957a), which is a preface to his classic work: the pervasive presence and importance and impertinence of "national plans of development"; the problematic nature of the recurrent "inflation" and the distinct social and political conditions in underdeveloped countries vis-à-vis developed ones. The problematic nature of the characteristic of the region opens the possibility that perhaps economic discourse may need some overhauling to explain them.

Disembarking at the Mecca of Development

Retracing a little our steps, by the year 1954 many theoretical and political events had taken place in Latin America. Prebisch's irruption at ECLAC Habana[13] in the 1949 reunion with his *The Economic Development of Latin America and its Principles Problems* was to be branded from then on as the Latin American "manifesto" for development, a depiction elaborated by Hirschman himself. In retrospect, Furtado's own explanation of the appearance of Prebisch's as having superseded the previous manuscript discussed in ECLAC as "monetarist" (Furtado 1985: 53) only points to the theoretical evolution of Prebisch's perspective unknown to many and the political difficulties surrounding USA's scrutinization of ECLAC. Notwithstanding Prebisch's

openly "desequilibrio," that is "disequilibrium," on the one hand, and on the other, it may perhaps be too much of a heresy if used by Hirschman. That would have obliged him to engage with the general equilibrium debate in process in Western-centric academia. Perhaps this strategy, perceived in Hirschman's vocabulary, hoped to keep simultaneously both perspectives at a distance liberating him from a futile discussion on the notion of "equilibrium," hence the use of "balance-unbalance" couple. As we have showed above, Latin American "structuralists" were perhaps more theoretically and politically transparent as to the (ir)relevance of "equilibrium." Both Furtado and Prebisch were disequilibrium theorists: so what is there of so-called price stability or of some sort? The answer was elaborated via the notion of power and domination of certain unit or sectors of production in specific geographic locations. For more details, Di Filippo (2009, 2009a, 2013) and the fifth chapter up ahead.

[11] Thus, the paperback edition of *The Strategy of Economic...* pays homage to Nurkse with a long note in its "Preface" insisting on the importance of his notion elaborated as the "unbalance growth sequence" (Hirschman 1961: viii).

[12] Hirschman and Kalmanoff (1955, 1956, 1957).

[13] I intentionally use the "Spanish" spelling.

manuscript was published under his own signature and not as an anonymous official U.N. document.

The famous text not only claimed that in the region "reality" was undermining much of past and present economic doctrines and the international division of labor, it also argued that the Periphery had an inherent external disequilibrium ("desequilibrio" not "desbalanceado" = "unbalanced") tendency. Its stop and start shaky growth process denotes the limitation of the traditional external pull of the Periphery's growth: its export-led growth ("hacia afuera") process of the past now required an alternative driving force mechanism, *one* of which is the industrialization process of certain sectors, which in turn presupposes a whole series of "structural reforms": land, fiscal, state reform, etc.

The inherent disequilibrium is not simply a product of fiscal mismanagement or badly thought investment priorities, in the long run, balance of payments receipts decline as the deterioration of its terms of trade vis-à-vis the products which the Center manufactures makes its presence felt.

Prebisch thought that this process materialized through the cyclical repetitive process, which meant that unlike the industrial Centers, the Periphery did not manage to retain the fruits of its own technical progress. The Center even manages to appropriate for itself those productivity gains via price decline of raw materials elaborated by the Periphery. He argued that the asymmetry between the Center and the Periphery and its negative effects can be seen in many areas of the industrial countries and within the Periphery itself, a notion of power that would be developed extensively by Furtado in his interregional and country analysis.

But what a well-designed and programmed process of investment did ensue in Prebisch's proposal, requiring the incorporation, the integration, of higher numbers of the population within the "modern" circuits of production, especially given the importance of the reforms (land, fiscal). The "liberation" of the work force from traditional forms of "bondage" of all sorts (heterogeneity) was also a prerequisite, industrialization and the cities were to soak up that labor producing a sort of "social mobility" coupled with the rising of productivity levels and standards of living. That explains Prebisch's insistence in the Central Latin American common market and other arrangements between and within countries to expand markets and make possible economies of scale.

Prebisch was well aware of the ubiquity of the "heterogeneous" nature of much of the technical and social relations in the region, a notion which in the coming years, especially with the work of Furtado, would become central: the "structural heterogeneity" of the Periphery was to be transformed through structural reforms: at the technical and geographic social division of labor.

He agreed with Furtado on the transformation of those societies and their industrialization, but always thought industrialization *per se* had its

limits given the asymmetries involved.[14] The issue was not "caching up" with the West but rather simultaneously prepare the Periphery to withstand the necessary downswing of the cycle as well as promoting the conversion of the technical division of labor: economic development was precisely the transformation and the rise of the productive capacity of its societies. As mentioned previously, distribution of productivity gains between the Center and the Periphery was an issue related to the power asymmetries in question, theoretically examined through the lenses of *time*. Classical and neoclassical economics eluded this issue by introducing money as a "vicarious" entity to restore a balance between the real and financial levels of the economy. [15]

Although Prebisch did not make explicit many of the theoretical considerations,[16] he was adamant that his purpose for heading ECLAC's project for Latin America was to produce practical and well-organized policies and technical advice to development projects (Prebisch 1952: 24). Prebisch's reminder of ECLAC's mission and objectives represents just one of a series of difficult episodes at the organization, among them with Furtado as mentioned previously. Especially, Furtado's argument of a specific version of the growth process examining the power asymmetries among and between diverse heterogenous agents evading the so called "inflationary" policies, aspects of which remained an unresolved problematic between Prebisch and Furtado.

Growth in Brazil was realized under a very positive socializing cost effects that fell on coffee exporters and importers of consumer goods given the existent foreign exchange controls then in force, which in turn favored the introduction of capital goods. The narrative questioned the idea that the recent growth of Brazil in the 1945-1954 years was a product of an "inflationary" process unless one forgets the parallel product growth during the period. The accounts of inflation, which later was to be named "structural," implied differentiating the "static" orthodox notion vis-à-vis the "dynamic" heterodox one in Furtado's terms. It was the Mexican colleague J. F. Noyola (1956)[17] who managed to synthesize those views a couple of years later as "structural." Noyola, following the trails of Furtado, argues:

[14] See Toye in Mallorquin (2003), also Mallorquin (2006).

[15] See chapter on Prebisch for the evolution of his ideas.

[16] And yet Prebisch could not help himself. In 1953, after many important economists of North-American universities visited Brazil: G. Harbeler, J. Viner, R. Nurkse, L. Robbins, in a sense to counter ECLAC's ascendancy, E. Gudin wrote a series of articles in *O Correio Da Manha* with the title "The mystical planning", to which Prebisch responded with "The Spontaneous Mystical Equilibrium of the Economy": "its proof that Dr. Gudin continues to believe in the tendency towards equilibrium, inherent in the economic system, when perturbing elements are not introduced in the economy. I don't believe in all of that. The cycle is the typical form of growth of the capitalist economy, that is to say, an uninterrupted succession of disequilibriums." (Prebisch 1953a)

[17] Noyola seems to be the only one to have reviewed Furtado 1954 (Noyola 1955). On Furtado and Noyola relation, see first chapter in Mallorquin (1998, 2020) and C. Danby (2006).

inflation is not a monetary phenomenon; it's the result of disequilibriums whose characteristics are real that are manifested in the form of a general price level rise. The real character of the inflationary process is much more perceptible in underdeveloped countries than in the industrial ones. (1956: 67)

Although Noyola said that "inflation is in each Latin American country a specific and distinct problem" (1956: 68), its comprehension needs a distinction between "basic inflationary pressures" and the "propagating mechanisms." The first aspect refers to its causal origin which generally is observed in growth "disequilibriums localized nearly always in two sectors: foreign trade and agriculture"; the second is about a "propagating" mechanism that could vary among many, but they can be "grouped around in three categories: fiscal mechanism (in which it has to be included the system of social welfare), and the mechanism of readjustment of prices and incomes" (Noyola 1956: 69).[18] But for Furtado, the *original* forces of the inflationary "pressures" were the antagonistic mechanisms generated by the agents through which they defended their income, or the distribution patterns in place. Therefore, the intensity of the inflation is measured not by the circulating mass money or its velocity, but rather considering the "pressures" (the antagonistic moment) and "propagating" forces (by Banks and monetary logic).

Years before Nurkse's visit to Brazil in 1952, we encounter one of the first "misunderstandings" on the role of growth/inflation couple between Furtado and Nurkse, claiming he was misread by the latter:

> If I understand correctly, he advocates in the last part of his essay a deliberate concentration of domestic as well as foreign investment on export industries and on industries producing import substitutes, as a mean to meet the pressures on the balance of payments that arise in the process of economic development. I must confess I have little faith in this prescription. It will not avert inflationary trends and balance of payments difficulties unless an attack is made on the root of the trouble; the tendency of money income to run ahead of productive capacity. In my view these pressures may have not even be related to high income elasticity of demand for imports. Besides, the very concept of income elasticity is usefully applicable only if the basic relationship between income and imports (that is, the 'import function') can be assumed to be fairly stable. If, as I am inclined to believe, the main trouble lies in the so-called 'demonstration effect' and its influence on the propensity to consume, a change in the direction of the current flow of investment may accomplish little or nothing. The problem is rather to 'make room' for his investments by keeping a firm check on the growth of expenditures

[18] O. Sunkel published a similar article two years later, but here he talks of three types of "pressures": "basic," "circumstantially inflationary," and "accumulative", which turns problematic the causality explicitly developed by Noyola who insisted, on the double pronged division between "pressure" and "propagation" of the inflationary forces. (Sunkel 1958)

> other than capital outlays. To recognize that inflation may have various underlying causes is one thing; but to say (as Furtado seems to say) that inflation is therefore *not* a monetary problem is quite another thing and, in my opinion, misleading. (Nurkse 1953: 80, my emphasis)

Prebisch certainly took his time to get involved in these discussions. Given his insistence on the importance of taking care of monetary aspects with anticyclical policies, he still thought he could find room for a non "orthodox monetary stabilization" formula (Prebisch 1961: 53). Prebisch argued that income contraction *per se* was not recommended when the structural factors were the primary origin of inflation, but:

> It would be a serious error to attribute exclusively to the structural vulnerability of the economy the cost and investment inflation. Because Latin American experience has shown repeatedly the importance of monetary and financial policies. There is no automatic relation between the structural vulnerability and inflation or the intensity with which it develops. (1961: 58)

Certainly Prebisch, during the 1950s, did not think structuralism could encompass the whole field of economics, Furtado on the other hand developed a general conception that not only referred to specific problems of the "underdeveloped economies," but also could explain the "structural obstacles" of developed countries. In Furtado's vision, the power asymmetries which Prebisch brought to light between the Center and the Periphery could be translated to any other social or geographic spaces, because what was at issue was the disparity, power asymmetry between and within certain economic agents whose main characteristic was their heterogeneity. The structural heterogeneity was a universal phenomenon, manifesting itself in a wide variety of power and institutional forms through which certain agents possess in separation certain of their conditions of their existence.

In Hirschman's terms it could be said that the driving force and organizational structure of the production units within and between sectors and regions depended on their inherent "unbalanced" *empowerment*. Hence the importance of structural reforms that addressed those "disequilibriums."

This is one of the aspects of Latin American Structuralism which has been less understood: the state was needed not just for implementing and creating investment opportunities, just as important was its role in "creating" the "market(s)." Establishing rules of possession in separation of the conditions of the existence of the units and sectors of production, as well as more "modern" social relations for the labor force which was going to join a new social-technical division of labor, aspects of which had to be taken into account by the industrial policy to follow. Structural obstacles meant that the incorporation and articulation of new technologies and social relations was not an automatic process.[19]

[19] For an expanded discussion of these issues see section "Mobile Army of Metaphors:

Mr. Hirschman Through the Looking Glass

If Muslims are obliged at least once in their lifetime, if conditions permit, to visit Mecca, Western-centric economists should themselves be under the same constraint to stopover at the Mecca of Development. Hirschman made it his lifelong laboratory center: theoretically and existentially.

By the mid-fifties Hirschman also had reached a notorious disbelief about the capacity of economic discourse to explain specific rationalities that motivate change and transformation of societies; he initiated the task of reconstructing a perspective that could be "fitted" in underdeveloped regions.

Once you assume that capitalization or aggregate investment cumulatively does not tell the whole story of development, that it does not incorporate various human and capital resources, an argument is required in respect of the best way to combine these elements. In other words, you need a "binding agent" (Hirschman 1958: 6) to explain the particular way in which it will make decisions and get the economy growing, in other words, Keynesian remedies are insufficient. The growth models have no problem in this respect because they consider investment or "induced investment" as an automatic behavioral process of the functional relationship between output and capital formation. Therefore, Hirschman deliberates on the importance of the inducement mechanisms of investment, a phenomenon that in contrast to the developed nations, in underdeveloped countries saving and investment decisions are "interdependent" (Hirschman 1958: 32).

The notion that development requires a simultaneous process of investment along a series of sectors or production units, or otherwise a negative vicious circle ensues, is also questioned by Hirschman. In underdeveloped countries, something else is required, a mechanism which Hirschman calls the "complementary effect," it:

> Reinforces and supplements the slowly growing ability to invest (...) The investments of one period call forth complementary investments in the next period with a will and logic of their own, they block out part of the road that lies ahead and virtually compel certain additional investment decisions (...) is therefore the essential mechanism by which new energies are channeled toward the development process and through which the vicious circle that seems to confine it can be broken. To give maximum play to this effect must therefore be a primary objective of developmental policy. (1958: 42)

The complementarity effects dissipate as the economy reaches "higher levels of development," some investment exhausts its importance since the input-output matrix of the economy has most of its boxes filled. But all in all, Hirschman has no intention to displace Rostow's notion of the "take off" period. H. A. Simon (Hirschman 1958: 48) is brought to the rescue to explain

Post-Keynesianism and Latin American Structuralism" in chapter 6.

the learning process of investment by which is meant that the preliminary process of development will need some initial force to enhance the pace so that the agents in question don't give up once they become conscious of the cost of reaching the task in hand. Thus, Hirschman insists that he is not proposing a "rigid" model of development, but steady growth has to do with the ability to invest, considering the great variety of negative forces that can appear, which is the reason why a conscious "development strategy" is needed.

One of its ingredients supposes the deconstruction of the "balanced growth" perspective (Rosenstein, Nurkse, Lewis) which presupposes an initial effort of investment in various sectors at the *same time* so that they can complement each other, but the theory fails as a theory of *development.* As Hirschman observes:

> Development presumably means the process of *change* of one type of economy into some other more advanced type. But such process is given up as hopeless by balanced growth theory which finds it difficult to visualize how 'underdevelopment equilibrium' can be broken into at any one point. (1958: 52)

But that perspective assumes an absence of differences between sectors and production units, and wants to impose an "entirely new, self-contained modern industrial economy [...] on the stagnant and equally self-contained traditional sector" (Hirschman 1958: 52). This is not "growth" since in a dualistic division conception both aspects of the economy require an articulation. According to Hirschman, even if this is an exaggerated view of the balance theorist's account, what makes it its worst ally is the notion that it:

> requires huge amounts of precisely those abilities which we have identified as likely to be in very limited supply in underdeveloped countries. (...) In other words, if a country were ready to apply the doctrine of balance growth, then it would not be underdeveloped in the first place. (1958: 53)

Hirschman maintains that if the balance growth theory is put forward precisely to get governmental intervention, then it's "hardly "convincing," because what "private enterprise" does not undertake, public authorities may not be able to guarantee. There are thus some activities which cannot be undertaken, no matter who it is entrusted to realize them. And a multitude of centrally planned investments so that it internalizes *only* "external economies" and simultaneously excludes external diseconomies and social costs of new ventures is hardly possible. But the image behind it, says Hirschman (1958: 56), is what defeats it since it presupposes sectors that won't be touched by the process of development while maintaining the idea of a rise of a "brave new sector to be built from the ground up in isolation". In this fashion, all those who might possibly suffer losses in the course of the development process are effectively assumed away. (...) But in general, economic development means transformation rather than creation ex novo: it brings disruption of

traditional ways of living, of producing, (...) and (...) social costs. (Hirschman 1958: 56)

Thus, Hirschman's answer is "unbalanced growth":

> Just as on the demand side the market can absorb 'unbalanced' advances in output because of cost reducing innovation, new products, and import substitution, so we have isolated forward thrusts on the supply side as inputs as redistributed among users through price changes, and at the cost of some temporary shortages and disequilibria in the balance of payments or elsewhere. In fact, development has of course proceeded this way, with growth being communicated from the leading sectors of the economy to the followers, from one industry to another, from one firm to another. In other words, the balanced growth that is revealed by two still photographs taken at two different points in time is the end result of a series of uneven advances of one sector followed by the catching up of other sectors. (...) this kind of seesaw advance over 'balanced growth' (...) is that it leaves considerable scope to *induced* investment decisions and therefore economizes our principal scarce resource, namely, genuine decision-making. (...) An ideal situation obtains when (...), one disequilibrium calls forth a development move which in turn leads to a similar disequilibrium and so on ad infinitum. If such a chain of unbalanced growth sequences could be set up, the economic policy-makers could just watch the proceedings form the side lines. (1958: 62-63 and 71)

Thus, development presupposes a "chain of disequilibria." The retroactive decisions to invest will produce the possibility to precisely jettison those forces and disequilibria which brought it on. As Hirschman explains:

> our aim must be to *keep alive* rather than to eliminate the disequilibria of which profits and losses are symptoms in a competitive economy (the task of development policy is to maintain tensions, disproportions, and disequilibria. That nightmare of equilibrium economics, the endlessly spinning cobweb, is the *kind* of mechanism we must assiduously look for (...) Therefore, the sequence that 'leads away from equilibrium' is precisely an ideal pattern of development from our point of view. (Hirschman 1958: 66)

Although all investment can be considered as induced investment, the notion of the complementarity effect mechanism supposes that those investments are "*net beneficiaries* of external economies" (Hirschman 1958: 71). Therefore, each induced investment should remind everyone of the multiplier effects: each new investment induces a series of subsequent ones, although not all investments will necessarily converge. Now, obviously external diseconomies will appear with new investments, damaging established plants, but its effects will spread over longer periods while novel investments inaugurate and renew a positive cycle of external economies in a

different sector. It is in this context that Perroux is brought to the attention of the reader as "closer to our viewpoint" (Hirschman 1958: 74).

The election or "guidepost" of the optimal developmental strategies requires a reflection on the order or sequences of the investment pattern, which means that "profitability" *per se* cannot be assumed *a priori* to be the best way to generate a continuous reinvestment process. Thus, the election process for Hirschman requires a more complex system in terms of a *jigsaw puzzle*: "The fitting in of individual pieces would represent the taking of discrete development steps. The problem would again be to minimize the time needed to put the puzzle together" (Hirschman 1958: 81). Since the aim would be to surround the neighbor's parts, "the process becomes more determinate since you'll chose those pieces that take less time to install" (Hirschman 1958: 82). Thus "efficient sequences" will necessarily entail a variable dependent on the pieces that have been installed initially. The exercise is a way to establish that there is no preordained order or sequence that the productive chains should follow. This also takes Hirschman to discuss the issue as to the priority or otherwise of pushing the investment in Social Overhead Capital (SOC) versus Directly Productive Activities (DPA). Again, no necessary order can be established beforehand. Although investment in SOC is "safer" than in DPA, since it is supposed to materialize throughout the economy it can also be a burden because planners are basically blinkered and thus unable to articulate it to the DPA sectors. Thus, only history and economic analysis can help to see which would be the more "productive" sequence: "whether DPA investments lead to SOC or vice and versa, better still which 'maximizes' 'induced decision-making,' as Hirschman observes:

> it is the experience of unbalanced growth in the past that produces, at an advanced stage of economic development, the possibility of balanced growth" (1958: 93).

What makes Hirschman much more than just the "traditional developmentalist" of the epoch is that he is willing to reconstruct a series of categories to fill the theoretical void once you question the basic notions implied by the maximizing agent. Thus, the process of industrialization does not have a preordained sequence either in terms of the sectors or the factories. Within the DPA sectors, the derived demand can be thought in terms of "*backward linkage effects"* (Hirschman 1958: 100), that is, the inputs needed for the unit of production, or output utilization products: *forward linkage effects*, in other words, intermediary inputs needed by other sectors or production units.

Thus, traditional complementarities and external economies, cumulative causation, etc., cannot help to think a "developmental path," even though we might have the input-output statistics requirements at hand. But with the "well-known backward and forward effects" (Hirschman 1958: 100) development policy can supersede traditional analysis and evaluate the strength of the

stimulus between certain industries vis-à-vis each other. Interdependence of the input-output matrix is a consequence of the industrialization process, but some modes of linkages, especially if they involved export and or import ties, can be difficult to displace. But it is much easier to perceive backward linkage effects than forward ones. Forward linkage effects presuppose a backward linkage effect, which drives on certain demand, in contrast forward linkages have no "independent inducement mechanism," and it "acts as an important and powerful reinforcement to backward linkage" (Hirschman 1958: 117).

Thus, Hirschman states:

> The ability of underdeveloped countries to start industrialization in this fashion by giving the 'last touches' to imported materials is no doubt an advantage inasmuch as it permits industries to be started even in areas where markets are small and technical knowledge and organizational know-how are scarce. But it is also a disadvantage, for it builds resistance for every new step in the trickling down process. In dealing with backward linkage effects, we have thus far taken it almost for granted that as soon as domestic demand passes the threshold of minimum economic size, domestic production will be undertaken. (1958: 118)

However, given the resistance or antagonisms by various interests, importers or exporters for the establishments of new industries, gradualism may not be the best option.

On the other hand, paradoxically, protectionists and industrialization forces are oblivious to the connections between imports and industrialization and adopt self-defeating policies instead of promoting certain imports, which in turn reinforces the comparative advantage for the elaboration of these goods.

Yet the "cohabitation" (Hirschman 1958: 125) of modern and preindustrial industries, sometimes even "neolithic techniques" or so-called dualism, is an important phenomenon to be understood in Hirschman's perspective, because it is not just a question of technological discontinuities, it also has to do with important existential parameters relating "attitudes" and "ways of living" (Hirschman 1958: 126).

Unlike the preindustrial experience in Europe, in underdeveloped countries the incorporation of new machinery and technological advances do not necessarily eradicate previous techniques or ways of doing things. Also the appropriate labor or levels of capital intensity that the production functions has to be seen in light of past and present processes of industrialization because "today's underdeveloped countries" can concentrate on a wide range of useful and desirable products that are entirely new to the economy (Hirschman 1958: 126), and therefore handicrafts and cottage industries are not necessarily involved in a tenacious competitive classic cycle such as it occurred during the industrialization in the West, which in turn means that wage differentials are not the best horizon to measure efficiency. Thus "dualism" may bring many tensions but also some rewards since it leaves

untouched a whole set of sectors and firms by the new capitalization evolution of several portions of the economy.

Orthodoxy's insistence on the market and competitive struggle among firms as the inducement mechanism leaves out of the picture market size as well as all sorts of "collusive agreements" in custom driven economies. Thus, there are reasons for imposing strategies to construct "complementary" and "competitive relationships" (Hirschman 1958: 135). Given certain collectives practices[20] in underdeveloped countries the nonexistence of "proper" motivations, an interesting cultural phenomenon arises: an "imbalance" between their ability to promote new ventures which fly way ahead of their capacity to run them efficiently.

Once the classic notions on "maximization" are left out, there is the problem to find the criteria for the decision to gauge the appearance or creation of new products as well as the mechanisms of inducement. The question of "maintenance" seems to be one of the processes which could be most effective as a guiding hand to undertake projects "which do not require it" (Hirschman 1958: 141):

> We have argued that economic development typically follows a path of uneven growth, that balance is restored as a result of pressures, incentives, and compulsions: that the efficient path toward economic development –and therefore the one that will often be instinctively taken if we can rely on the 'principle of least effort'– is apt to be somewhat disorderly and that it will be strewn with bottlenecks and shortages of skills, facilities, services, and products; that industrial development will proceed largely through backward linkage, i.e. will work its way from the 'last touches' to intermediate and basic industry. (Hirschman 1958: 158)

Likewise, following Chester Barnard, Hirschman would argue that "product-centered" industries do not contribute as much as "process centered" ones to enhance labor's efficiency, since in the latter case technology imposes a logic and a specific process of coordination. In other words, the technology enhances management with its own labor competence.

Given the apparent ingrained instability of underdeveloped countries, the question of inflation and balance of payments difficulties is an obligatory theme. Having laid waste classical explanations on inflation ("long discarded theories"), Hirschman concentrates on the "inflationary" impulses which are a consequence of certain types of "development sequences." A price rise (given the short-run supply limitations of underdeveloped economies) seems a disproportionate response, but it could be argued that it has always been the case also in today's Western nations during their transitional period towards

[20] In a very cryptic note Hirschman also mentions that the absence of "growth mentality" and difficulties in the administration of firms is also "found in advanced industrial countries" (Hirschman 1958: 136).

industrialization. Hirschman insists that those forces were "less powerful," and received simultaneously a matching response in terms of a periodic price decline. But in latecomers the pressure towards a downward price movement cannot be compared with those of the industrialized world because the equipment in use has already gone through the competitive price/cost cut struggle. The benefit in the "high" technological advances is exhibited in most capital imports. Thus, avoiding inflation in underdeveloped countries is much more difficult given the sectoral price movements. But Hirschman seems to have forgotten his thesis that not all of imports are manufactured goods.

Therefore, the relative high price rises make for better signals for investment in certain sectors, but low supply elasticities do not explain the whole picture since it also depends on the skill and "determination" of the monetary and fiscal management (Hirschman 1958: 161).

Of a possible scenario of four types of price and output behavior, the most convenient one is that which promotes investment in certain sectors where price rises acted and thus overcome those "imbalances" that engendered price rises. As Hirschman argues:

> But there is a real difference between an economy that solves *new* supplies problems in every round of inflation and one in which it is the same supply problem that is constantly causing prices to resume their upward course. (1958: 162)

And yet in some areas Hirschman argues that price signals are not always the only or best incentive mechanism: "Fortunately the strategy of unbalanced growth does not stand or fall with the efficacy of price signals" since alternative "methods for restoring balance between sectors" create those "uneven growth" and "economic tensions" (Hirschman 1958: 163), which in turn promote additional forces for development.

Unlike Latin-American structuralists, Hirschman seems dubitative to say the least on shedding traditional notions of inflation: although the so-called "price-price spiral" (Hirschman 1958: 163) is more *akin* to the "wage-spiral inflation of developed nations," its problems and difficulties are much more pronounced than the usual excess demand for "investment and consumption," notwithstanding that the latter explanation is "correct at times". As Hirschman explains:

> Nevertheless, anti-inflationary policies must certainly be re-examined if excess demand is not considered to be the only or even the principal villain. In the first place, we can understand why both the commercial banks and the central bank are often taken aback by the admonition that they must not finance an investment boom. All they are doing, they will maintain, is adjusting existing credit lines to the higher prices that have come to rule for some commodities. We see now that this opinion may not be as naive as we usually tend to think. The role of the banking system in a price-price spiral inflation is far more passive than in a demand inflation. The banks merely permit their clients to pass on

> all price increases, in the interest (…) maintaining economic activity at previous levels, not of expanding it. (1958: 164)

He concludes that inflation in "underdeveloped countries arises principally from supply imbalances that are characteristic of the growth process" (Hirschman 1958: 164). On the other hand, balance of payments difficulties is seen because of excess demand. But in underdeveloped countries balance of payments difficulties could be a product of the typical growth sequences and hence not a reflection of domestic inflation. Shortages could be solved importing goods under that circumstance, if foreign exchange is available, and the demand in question will not necessarily generate any rise in prices. In these cases, it will be sane for a government not to allow the price to signal movements in demand, especially if it cannot guarantee that additional production will be forthcoming.

Thus a "respite granted" by an import surplus can be extremely valuable, provided it is utilized by the public authorities to push through some of the reforms required to "increase supply elasticities" (Hirschman 1958: 167).

The thesis that the balance of payment difficulties are seen as a consequence of "output-input imbalances and disproportionalities" during the growth process, becomes something close to the notion of "structural factors" as the cause of those complications rather "than the inability of developing countries to live within their means" (Hirschman 1958: 169).[21]

Also, fluctuations in foreign exchange earnings are an endemic part of the underdeveloped economy given the price fluctuations of their products, however Hirschman does not waver an inch to convey his support for the Singer-Prebisch thesis.[22]

Whereas much of Hirschman's argument on unbalanced growth can be seen in terms of interregional and international power asymmetries, terms which evoke much more within structuralists' circles, he prefers the use of the "polarization effects" within and between different regions or sectors, or countries. But then power asymmetries become central in his consideration. If a region could in some instances be "treated as *though they were a country* and, in some others, *treat a country as though it were a region*" (Hirschman 1958: 199), it would be easier to create situations favorable to all parties in development.

Much depends on the mechanisms of transmission of growth which he labels the "trickling-down" and "polarization effects." Instead of using the developed and underdeveloped couple or for that matter Prebisch's Center-Periphery one, Hirschman uses "north and south," a kind of spatial

[21] Hirschman's "Preface" (1961: viii) of the paperbound edition of the book acknowledges similarities with the Latin American "structuralists."

[22] The only appearance of "Prebisch" in Hirschman's classic work can be seen in the longest footnote of the book in which he mentions the Singer-Prebisch thesis and the negative effects of the deterioration terms of trade: "need not be a losing proposition for the primary producing countries provided they industrialize" (Hirschman 1958: 159), a thesis which does not necessarily contradict Prebisch's argument, as I hope I made clear. See the first two chapters.

metaphor to portray the process of growth via their interaction to think the policies necessary to limit the "polarization effect." One of the effects of the north's growth as a stimulating force on the "south" would be the "trickling-down effects" by certain demands for its products. But it could also be the foundation of the profound interregional polarization, which in turn could drive the south to sponsor policies to counteract these effects.

But the fact that the trickling-down and polarization effects can be overturned shows that what is needed is some sort of "sovereignty" for the south as a mechanism to counteract the polarization effects. Therefore "the polarization effects will be stronger when there are no frontiers to cross, [and] so will the trickling-down effects" (Hirschman 1958: 197). In an international context between countries, the "trickling-down effects will mean an important force as a promoter of development if some sort of mutual dependency is involved. The problem is when a country has no goods or resources to articulate itself to the international transmission of growth pattern, which can be seen when a region is integrated *into a larger country*" (Hirschman 1958: 197). Although interregional, the north might have the possibilities to acquire its necessities outside the shared space with the south, internationally the obstructions for the trickling-down effects are much "stronger, just as the trickling-down effects themselves are weaker, than in interregional relations" (Hirschman 1958: 198).

In other words, given the absence of an international entity, "forces making for interregional transmission of growth are likely to be more powerful than those making for international transmission" (Hirschman 1958: 198).

But for Hirschman there are no general optimal institutional arrangements. The mere posing of the question is a mirage because "closing the gap" between "north and south" requires the use of instruments that would ordinarily be thought to be disruptive of the very integration they are designed to achieve. While it is the purpose of these instruments to cut down the strength of the polarization effects, great care must be taken, of course, not to interfere with the efficacy of the trickling-down effects:

> Thus, economic policies are designed to insulate the South sufficiently so that it may undertake certain industrial and export activities in competition with the North; but, at the same time, the complementary relationships that make the South a supplier of the North must be preserved and intensified. (1958: 200)

In contrast, Hirschman asserts:

> For *international* transmission of growth (...) The task here is to keep the polarization effects as weak as they normally are among independent nations, but to increase the strength of the trickling-down effects. In other words, the underdeveloped countries ought to retain the developmental advantages of sovereignty. (1958: 200)

Nonetheless, Hirschman feels "uneasy" about the argument that "pressures," "tensions and disequilibrium" *are* virtuous, which is the extension of the argument that "economic growth creates profitable opportunities and the concept of disequilibria include these opportunities" (1958: 208),[23] since not all productive sectors and induced investment have the same scope for growth.

Remembering the Future

It could be assumed that the recovery of Latin American Structuralism as perhaps one of the earliest theoretical currents to engage on issues of development forms part of a Latin-American nationalist chauvinism or worse still "fanaticism."[24] A case for its paternity can certainly be made. But it would take a Hirschman's like stance, but which is frowned upon in other quarters. Hirschman is explicit in assuming the role of grandfather to "dependency"[25] theory, and equally in his revised version of his 1945 book *National Power and the Structure of Foreign Trade,* he states priority for developing the notion of "Gini index or coefficient" (Hirschman 1945: xviii).

But what is at issue is a very distinct problem: Latin American Structuralism forms part of a very long tradition in social and economic thought that once in a while reappears to reiterate the theoretical central importance of power asymmetries in social relations, and the examination of the calculating agent in specific historical contexts. Perhaps Perroux and his followers had said something similar having also questioned the mechanical notions of general equilibrium, hence the study of inter and intra-regional asymmetries ("poles of development"), power asymmetries that underlie the exchange/production mechanisms among the various sectors and production units.

Economic thought has been haunted constantly by this future, that is, the return of power relations to think the economy: see the Schumpeter and the German historical debate Morishima (1998), or the early questioning in classical political economy (William Thomas Thorton) of the price and market mechanism as simple consequence of the supply and demand schedule (Mirowski 2004), as well as Talcott Parsons whose strategy during the 1930s simultaneously assigned the question of power to "political theory" and evaded the matter which was preeminent among those who were until then his intellectual mentors: the institutionalists.

Structuralists in Latin-America certainly constructed the tradition from which they searched alternatives and emancipation, and although their reading of the classical Western-centric tradition could be a source of debate, what was central was the need of a new vocabulary for its own policies. We mentioned that Furtado denied classical political economy as simply a comedy of errors because it did not address the question of "underdevelopment" and also

[23] "development also draws new strength from the tensions it creates." (Hirschman 1958: 209)

[24] Term used about Furtado in the conversation between Gudin and Harbeler (Furtado 1985: 124).

[25] For an account of dependency theory, see Kay (1989).

Prebisch's critique of economics and its downfall for not considering the notion of "time." Hirschman in turn with the question of the inherent "disequilibria" of the economy as its driving force certainly did not attempt to retrace these notions in economic thought but given that there was already, in its initial phase, a theoretical space in academic life that maintained that "underdeveloped countries" had to be treated with a different set of lenses, it was perhaps futile. And yet much of his subsequent work is undertaken in the field of the history of social thought especially around the notion of the "market."

The most important part of this episode, in terms of Furtado and Hirschman alike, is that it became the laboratory which was to witness the transformation of a particular discourse that privileged its questions on a specific geography of the world economy into a general conception. In this context, Hirschman observed:

> It appears, therefore, that the very characteristics on which I had sought to build economics specially attuned to the underdeveloped countries have a wider, perhaps even a universal, range and that they define, not a special strategy of development for a well-defined group of countries, but much more generally valid approach to the understanding of change and growth. In other words, I set out to learn about others, and in the end learned about ourselves. (1984: 95)

On the other hand, Latin-American development process between 1950 and 1980 cannot be seen simply as the materialization of "structuralist" policies, although it's a period of high rates of "growth," which it's difficult to compare with what happened afterwards under the so-called neoliberal era.

The "black legend" created by neoliberalism on state intervention and "closed economies" of the region to engender changes in policies cannot be read simply as the result of structuralists' proposals during the 1950s and 1960s. ECLAC and Prebisch were the first to criticize the exaggerated level of protection in some industries and countries in the region. And perhaps what is the most misunderstood aspect of the structuralist thesis is the so-called state and market opposition (especially in Western-centric literature): great part of the aims of the structural reforms during the 1950s was to reconstruct the rules of the game, institutions, not state intervention. To recreate the relations of possession in separation of the conditions of existence of production units, generating the "market." How the articulation of the production units gets organized is a different matter and debate. But structuralist analysis of the region's economies found that they were hardly consolidated as "totalities" as such, and sometimes not even at a regional level. State "intervention" not only meant facilitating financial help for potential entrepreneurs but also sponsoring policies with the aim to establish the social and political conditions for the market. Which did not mean that the heterogeneity, technologically or socially speaking, would just evaporate with the reforms, but that was precisely what a developmental perspective had in mind. Given the notion

that structural heterogeneity is the product of diverse and distinct power conditions, the more "modern" were those institutional rules, the better.

Another aspect of the history of the policies sponsored by structuralists has also been "misconstrued." Let us hear it from the man himself. For Prebisch, the option whether to produce locally certain industrial products or to import them had to consider the proportion of the income which was to remain in the local economy:

> Let us first clarify one important point. Industrial costs higher than import prices do not necessarily mean that an industry is not economic for a country as is sometimes assumed. Of course, the smaller the difference the better. The problem has to be considered from another angle. It is not really a question of comparing industrial costs with import prices but of comparing the increment of income obtained in the expansion of industry with that which could have been obtained in export activities had the same productive resources been employed there. (1959: 255) [26]

Also it was never recommended that countries should fill all their input-output matrix sectors by local production: it was always thought that as economies evolved what actually changed was their *import composition*, a rate of substitution which could not be sustained given foreign exchange limitations, hence the inherent disequilibria of these economies and the need to think of rates of growth by sectors. Last but not least, industrial countries were not, and have not been a haven to the export of manufactures from economies "in development."

This brings us to another theme which was only to become clearer later in the sixties: "development" is the way economies evolve, how they transform themselves, which in turn requires certain "rates of growth" but development and growth don't necessarily coincide.[27] That is why structural reforms

[26] The paragraph sends the reader to a foot note: "This was the assumption made by the Currie Mission on the iron and steel industry in Colombia, in the report presented to the International Bank some years ago." It has been argued by Villamizar (2013) that Colombia could be classified as the country in Latin America where "structuralist" ideas were the least important, and where Lauchlin Currie invested much of his lifelong academic and political ideas. But Albert Hirschman and Lauchlin Currie diverged as to the role of the economic expert. According to Maas: "both were concerned with the patchwork approach to economic planning which they experienced during their consulting work in Colombia, they took opposing messages from this, with their respective positions premised on their divergent perspectives on the interplay between 'sound economic principles' and the force of local circumstances. While Currie was a believer in both sound principles and the need to adapt them to local circumstances, Hirschman was more skeptical about the existence of any such principles" (Maas *et al.* 2019: 203). In fact, the publication of "Commercial Policy in the Underdeveloped Countries (from the point of view of Latin America)" of 1958 has a unique characteristic given Prebisch's posture. It was planned as a text in English with the view to open up a channel of communication with the "Western-centric" academy and published *before* its Spanish version. Published in *American Economic Review* 49(2): 251-273.

[27] Latin-American structuralists should appropriate for themselves Hirschman's graphics (1984: 107) on "balanced and unbalanced growth" and "antagonistic growth" to represent the

were thought as the generators of reservoirs of capital and social energy unaccounted for by our national statistics.

But tracing these problems and theoretical debates to World War II "planning debates" as Arndt (1987) does leaves unaccounted the theoretical work done in the region. Is this to be blamed on the absence of reading of Spanish or Portuguese literature? It is easier to confront Latin American Structuralism if it's made out to appear as an anti-market discourse when what was at issue for structuralists was precisely how to think the market and reform institutions so that "markets" could be thought of as more precise "information" providers.[28] Thus the importance to analyze the specific social relations of the agents and the productive units, as well as the notion of heterogeneity in terms of power symmetries of the social relations and technologies, and the time horizons of the entities in question. The structural obstacles that could be the causes of a series of "bottlenecks" as Western-centric discourse theorists name them, required specific policies and structural reforms. But in the last instance all economies are ridden by heterogeneities and structural obstacles.

Before I conclude some readers must be wondering what transpired to the whole deterioration of the terms of trade conundrum, the so-called "Prebisch-Singer" thesis.[29] The point is that even if the deterioration in question could not be "proved" some structuralists would still argue that their conception of how to reorganize the economy and transform its technical division of labor is much more efficient and profound with respect to its aims to incorporate the masses to its circuits of production than orthodox versions of economics. Given that the price mechanism is the reflection of power asymmetries these are always the object of struggle to be transformed with all sorts of policies which are practiced in a day to day basis in the industrial countries and last but not least it's plainly a matter of making "sovereignty" matter through our own policies.

process of development.

[28] I mean, has anybody out there read Polanyi's *The Great Transformation..*? Is economics in such a state, that with all due respect which Chang's (2002) work deserves, the latter book needs to be produced?

[29] Luis Daniel Torres (2006) has reviewed the whole literature of the past 30 years, and incorporated new calculations and cross references of new data and the case for the existence of a deterioration of the terms that the Periphery endures is difficult to avoid.

Chapter 5

How Economics Forgot Power

> That much economic theory is based on ridiculously narrow assumptions and unrealistic a priori premises should, at this stage, be obvious. But it is worth being clear how the types of people that espouse this sort of thing can be used by political forces that they do not understand and cannot comprehend. I have always been averse to the idea that economics as it is currently taught is some sort of organic outgrowth of the ideology of the ruling class. I do not find the Marxist story convincing that economics as it is currently taught is a mere reflection of the interest of the ruling class. Rather, I think that the explanation is much simpler: economists have cast such darkness over their own discipline that they can make themselves believe in basically anything that suits them at any given moment of time. All one has to do is feed them a very simple argument that seems internally consistent, and they will mistake this consistency for some Absolute Truth about the real world. Such people are very useful to the powers-that-be (...) Contemporary mainstream economics is less the ideology of the ruling class than it is the opiate for the establishment intellectuals who find that their little models and their ridiculously simplistic arguments get them invited to all the right parties
>
> Pilkington (2016: 332)

Introduction

The heading of what follows takes its title paraphrasing a book by G. Hodgson (*How Economics Forgot History*), revealing the central aspects of my comments on a book written in 2016 by P. Pilkington (*The Reformation in Economics: A Deconstruction and Reconstruction of Economic Theory*). My critique has a "southern" tone vis-à-vis the "northern" theoretical vocabularies (Connell 2007, Lander 2000), irrespective of which, it is a book which should be cheered by academics in general.[1] Interestingly, and unknowingly it vindicates "economics" as reconstructed in Latin America from the 1940s onwards in its goal for an *alternative*, independent theoretical vocabulary from the Western-centric "imports," centering its analysis on the role of power asymmetries. In terms of the conception of a "discursive formation" ("power-knowledge") *a la Foucault* (Foucault 1972), the "war of interpretations" repudiates the notion of the existence of a necessarily "superior" discourse.

Pilkington's theoretical "demolition" reminds us of the Latin American Structuralism perspective. The author of this book is certainly very brave *and* daring to pronounce and publish what many members of the economic profession think about the dismal state of their discipline, theoretically as well as codes of conduct, but of which are disinclined to express overtly. The image of the congeries in question, its manners and shallow "natures" are reminiscent of the Luis Buñuel movie *The Exterminating Angel* (no pun intended!), which in Buñuel terms deals with a plot in which "a group

[1] I thank equally Philip Pilkington and Colin Danby for their inputs; responsibility for what follows is absolutely mine.

of persons [inexplicably] cannot do what they wish to do: leave the room" (Buñuel 1982: 232).

With profuse perseverance, given the unveiled discussions dedicated to the "profession", the narrative shows little leniency, bestowing very "harsh" words towards its incumbents (Pilkington 2016: 353). However, an absence in certain sections of the text related to an explicit concept which might help differentiate "ideological" from "nonideological" theoretical discourses replicated by these "well meaning" persons, gives the impression that they should be forgiven, for as the Christian saying goes: "they know not what they are doing." The Neoclassical or marginalism cloak is presented as a misguided "ideology" chasing the "Holy Grail," with an erroneous role of mathematics in the "real sciences": "everyone remains trapped in his/her own personal political prison. But it is a happy incarceration" (Pilkington 2016: 353).[2]

A book of this nature is a prologue, a "promise," which carries severe responsibilities. It might sound strange that a book dedicated to something called "economics" implicates a decision, an ethical command to act otherwise. The question is whether Pilkington is ready to fully embark on that path. If not, then the procedure of "deconstruction" undertaken is just another irresponsible ploy of the kind he so thoroughly and correctly critiques in "mainstream" and/or "marginalism economic" profession. "Philosophizing with a sledgehammer" (paraphrasing Philip Mirowski), implies a critical decision to reconstructively pick-up *certain pieces* given the fallen (?) edifice of mainstream economics. It is difficult, given my political perspective and Latin American prejudices not to share much of the criticism of "equilibrium economics" stated by Pilkington. It's the logical and political consequence of Raúl Prebisch and Celso Furtado's work (among others), whose reconstruction of development discourse during the 1950s and 1960s, for and from the "south", assumed querying the discourses emanating in the "north."

Absence of space and objective of what follows only touches in passing Pilkington's critique of the IS-LM and Krugman's interpretation of the "liquidity trap" concept, but once it is accepted that money is an "endogenous" creation, and not related necessarily with its supply and the "rate of interest," the LM-curve is always flat and the "liquidity trap theory" "loses one of the legs on which it stands" (Pilkington 2016: 181),[3] and therefore the level of economic activity does not automatically grow with "cheap money."

[2] See also Mirowski and Nik-Khah (2017) and Lawson (2019).

[3] The model is "not innocent" (Pilkington 2016: 181), it shapes the mind of those trained by it, and is "inherently conservative," in a sense it is an "updated version of the Quantity Theory of Money" but "harder to attack," because its underlying assumption of the "LM-curve" is that "money is scarce" which "if money is not created in line with some very rigid, mystical and usually arbitrary rule or set of rules, something awful will happen. Typically (...) hyperinflation" (Pilkington 2016: 182). See also De Vroey and Hoover (2004).

On the other hand, if Krugman's statement is sincere ("the theory of economic development was correct" (Krugman 1997: 29) it follows that economics recovers and supersedes in Hegelian fashion "classical political economy" in both its "neoclassical" and "Marxist" offspring, which implies the examination of the power asymmetries constituting the social relations and agents in the "economic" realm.

Having displaced the IS-LM "workhorse," Pilkington does the same with mainstream's theorization of the rational calculator, "maximizing" or "representative agent," which hinders comprehending "investment"/ accumulation," growth and/or evolution of economies. Equally the agent in question should not be accorded the theoretical role in question since the economy as a whole cannot be reduced to the respective sums and actions of those "agents" in their capacity as individuals, and therefore "economics" should deal with "general categories" privileging macro abstractions related to "accountancy" rather than "sociology" or group psychology, those categories associated with "income flows."

An approach to recover the importance of considering the productive and distributive aspects of those social categories, implies linking theoretically the latter in terms of the asymmetries of power of which are its effects: agents and their conditions of existence are the consequence of the antagonisms and power asymmetries, and these agents need not necessarily be "human individuals" (all sorts of corporations, "universities," "trade unions," "households," "states," etcetera), all of which have the pertinent recognition mechanisms through which to undertake choice-decisions. On the other hand, their antagonistic mode of constitution (the social relations), are always a contingent, transient characteristic, which forms part of the explanation to understand the heterogenous features of most agents. The power asymmetry generates the heterogenous characteristic of the agents: relates to the mode by which agents possess in separation certain of their conditions of existence or of the production units, the "remainder" of which have to be, negotiated, bought, etcetera, especially with other "economic" agents strictly speaking.[4] Therefore the antagonistic moment, always contingent, is constitutively associated with the "price" or "value" which they can enforce or assume, whether "capital" or "labor": Latin American Structuralism claims that these categories have no general form of being or unity: on the one hand, these entities are not necessarily "human," but on the other, most importantly they possess in separation, with respect other agents, no more than specific aspects of their conditions of existence. The heterogeneous quality of the agents presupposes no "general conditions," given the contingent-antagonistic power asymmetries of power within and between agents. Therefore "price demand and supply elasticities," as well as "comparative advantage specialization" are theoretical concoctions of marginalism, which

[4] Pilkington's use of the "kaleidoscopic" (see further ahead) or the "non-ergodic" (Pilkington 2016: 55) logic of the realm in question require assuming these notions.

hide the historical construction and the power asymmetries involved as well as their potential transformations.

Both within and between specific economic formations, as "Center-Periphery" entities for example, as Prebisch purports, refer to notions which are not necessarily a geographical "developed-developing" couple, since the "Periphery" also exhibits a mixture of "Center-Periphery" antagonisms and power asymmetries. The heterogenous constitutive aspects within and without of the "economies," "Center" and "Periphery," alike, are the product of those power asymmetries mentioned before, and which, can be reinforced with Pilkington's Kaleckian vocabulary.

What ensues intends to portray the interesting aspects of his proposal, as well as the ambiguous nature of certain facets of his work to revert economics to theorize power,[5] by incorporating Latin American Structuralism and Kaleckian vocabulary. The text is subdivided into various sections, namely "Businessmen Pay Profits To Each Other," in which we devote much space to the reconstruction of the investment-profit elaborated by the author. Next, there is a segment ("Ruling the Roost") that concentrates in certain aspects of the narrative on the "international trade" logic among differing economic formations, and finally, in the last part "You Want the Social?" we insist on the importance of engaging "politically" or "ethically" in economics, which, paraphrasing Marx, then becomes much more a strategy to transform the world than to interpret it.

The persistence and dominant characteristics of the institutions that generate the diffusion of mainstream economics or "marginalism," those "social and ideological" practices that doubtlessly require a discussion and explanation, and of which there is plenty in Pilkington's book will be left aside for another occasion. What we wish to underline is the generally explicit theoretical insistence that agents and "markets" are constitutively "antagonistic" given the power asymmetries and although this nomenclature might be distasteful to Pilkington, it is necessary to stress this aspect since on certain occasions the ambivalent quality of his "deconstruction-reconstruction" initiative could be associated with dodging the ethical political consequences involved.

"Businessmen Pay Profits to Each Other"

The expression with which we initiate this section, using Prebisch's words (Prebisch 1948b: 336, 1949a: 417), represents one of the mechanisms by which profits, and the macroeconomic investment carrousel process can be

[5] I use the term revert because "political economy" lost those potentialities with the hegemonic role which Ricardian economics instilled during the 19th Century. There is no space here to develop the idea that Marx unwittingly forms part of a discourse which also requires "deconstruction," which in part the account here in process conveys. For example, Armando Di Filippo's theoretical recent description of the past is interesting in this line of thought (Di Filippo 2013), as well as that of Osvaldo Sunkel (1970).

explained, or equivalently, Kalecki's singular turn of phrase "when workers spend what they earn capitalists earn what they spend" (Kalecki in López and Assous 2010: 31), both alike point to the same outcome. Both focus their account in terms of power asymmetries among and between the agents. Although Pilkington's very interesting posing of the problem of "investment" and/or accumulation incorporates some Kalecki's and Keynesian themes (especially Shackle's work), Kalecki's explicit notion of "degree of monopoly" (López and Assous 2010: 78)[6] to understand the investment decision process, tends to recede in the background in Pilkington's account, aspects which will be discussed later.

On the other hand, the undulatory or wave-like movement, or "cyclical" image of "capitalism's" growth in Prebisch's work, which can be represented by Minsky's remark: "Keynes put forth an investment theory of fluctuations in real demand and a financial theory of fluctuations in real investment" (Minsky in López and Assous 2010: 243), is obligatory by the narrative in question and of which Pilkington is well aware. Growth and investment observe a "rise to either a stable path of low-inflation equilibrium growth" or "unstable path of high-inflation disequilibrium growth" (Pilkington 2016: 198), but the story sometimes does not assimilate fully the antagonistic contingent existential element determined by power asymmetries, which in Pilkington's own words "ultimately determines the profit margin" (Pilkington 2016: 197).

Although aiming to formalize Keynesian "marginal efficiency capital argument" (Pilkington 2016: 251), he concedes that allusions to the question are not necessarily an "accurate depiction" of how "investors make investment decisions":

> there is good reason to suspect that this is not an altogether accurate depiction of how investors make investment decisions and it needs to be modified. Shackle reports that when he interviewed businessmen, they did not think too much about the levels of interest rates when

[6] Not to be confused with "monopoly power" (López 2008: 52). Furthermore, as López and Assous insist: "Kalecki rejected the view that macroeconomic results can be reached by simply adding up what is valid at the level of a particular firm" (Kalecki in López and Assous 2010: 74); "firms operate in imperfect markets, within which they possess a certain monopolistic power, due to the differentiation of their products. In this context, firms can fix their price by applying a certain margin to their unitary prime unit costs. The existence of this margin, whose level depends on the firm's monopolistic power, implies that the marginal productivity of labor will exceed the real wage per worker, so that there is *no univocal association in existence* (least of all a negative one) between employment and wages. As to the relation between the price and prime unit costs established at the aggregate scale, [Kalecki] calls 'degree of monopoly' (a concept which is distinct from 'monopoly power')" (López 2008: 52, my emphasis). For an interesting account of Kalecki's meeting with Joan Robinson and the Cambridge group, see Chapter 1 (López and Assous 2010). Robinson's recollection in 1977 declares: "I received a letter, evidently from a foreigner visiting England, who said that he was interested in my article as it was close to some work of his own. I thought this very strange. Who could claim to be doing work that was close to this –the first fruits of the Keynesian revolution?" (Robinson in López and Assous 2010: 7).

> making investment decisions (Shackle, 1966, pp. 150-59) (...) Shackle found that businessmen typically make decisions based on whether a given piece of capital equipment can pay itself off (amortize) over a short period of time (...) based on their subjective evaluation or their animal spirits, but these are cast over the short term because they believe that they are completely uncertain with regard to the long run. It seems likely that different people within a modern firm undertake investment decisions to the people who allocate internally generated funds and seek to borrow money. (...) it is likely that the people who make decisions about how much to invest are typically given a sort of menu of the funds available to them (...) they (...) weigh up potential profits against their potential losses and try to come to a decision about how much to invest. (...) the above framework is probably still a good starting point to understand the complexities of the investment decision-making process. (Pilkington 2016: 251).

The emphasis above aims to characterize those heterogenous aspects of the internal *organization* of the agent, and the "participants" of the decision-choice response process, and likewise the agency itself with respect to other potentially antagonistic agents. We therefore encounter a double contingent moment of the choice-decision process: internally, the disparate sectoral management's division of labor and those engaged in the final decision-choice vis-à-vis the "external" contesting agents.

Hence, the double heterogenous movement complex, a kaleidoscopic form of organization, as an outcome of the power asymmetries, in a context in which their conditions of existence are themselves "heterogenous": they are not general, nor predetermined, given their intrinsically antagonistic and contingent character: "markets" are themselves composed of heterogenous motley of agents, whether in "financial" or in "productive" sectors, in other words, they do not conform a unity form of being.

Notwithstanding the above, firms (agents) and their pricing mechanisms or profit schedules have relatively few problems to calculate since these aspects, like "prices," are a convention or an "institution," which are sustained by a set of "habits" (Hodgson 2004, 2006).

Prices do not represent "marginal revenues" at all, they are the consequence of simple summation of "direct material costs, labor costs and overhead costs determined at a 'standard' volume of output" (Pilkington 2016: 196), after which, firms simply added a "percentage-based" 'mark-up' "that included both a profit element and also took into account any costs related to selling goods together with any interest payments the firm had to make" (Lee in Pilkington 2016: 196). Also, and most importantly, Pilkington and Lavoie (2006) recognize production units rarely work at full capacity, hence their ability to increase production immediately if demand rises.[7] In other words,

[7] $(1 + \boldsymbol{\theta})$ AVG = p; p prices, $\boldsymbol{\theta}$ percentage mark up, AVG, average costs. Now this formula can

the book excludes the typical section explaining the cost and supply-demand schedules as an outcome of the relative "demand-price elasticities" of the goods in question.

According to Pilkington, firms check each other's profit margin levels, which in turn serve to give the industry a sense of "stability" (Pilkington 2016: 196), *avoiding undercutting* each other, or price wars, nor aiming to raise too much their profit margins. The logic of this action stabilizes the horizon for the decisions-choice in an uncertain environment, conforming to certain patterns fitting common practice (Hodgson 2004, 2006) notion of agency and routines guide example, the "mark-up theory of profit" explains why "profit does not simply disappear over time. Profit margins are conventions and they exist in the form that they do so as long as people believe that they should exist in this form." (Pilkington 2016: 197). The important principle of this long explanation aims to underline that profits are a "creature not so much of competition as they are of convention" (Pilkington 2016: 197), but Pilkington, having grasped the image of the profit logic, strives to answer a further question which is not necessarily mandatory: why is the "customary norm" not broken? It hinges on something he mentions as "toleration" (Pilkington 2016: 197) wage and/or profit margins and/or higher prices, which can be reframed instead in terms of the respective asymmetric power relations among and within agents.

In an ambiguous fashion, the description above tends to underplay what is crucial to the whole explanation, which Pilkington calls "tension" or "class tension." Again, it seems that what can be called the antagonistic choice-decision moment is evaded: agents need not necessarily keep the same profit margins or level of wage/prices. It is an antagonistic contingent existential element determined by power asymmetries, which "ultimately determines the profit margin" (ibid.: 197) and it is this "tension" that gives "rise to either a stable path of low-inflation equilibrium growth or unstable path of high-inflation disequilibrium growth" (ibid.: 198). In marginalist economics, this attribute only belongs to specific "monopolistic" firms, assuming a certain "size" and the rule of economies of scale, otherwise it has no sovereign power to impose "mark-up" costs to establish certain "prices" and hence "profit margins," which must be said, is contradicted by most of the literature which examines firms' costs and behavior projections. The "mark-up pricing" (Pilkington 2016: 198) responds, as mentioned before, to that which Kalecki terms as the "degree of monopoly,"[8] or "asymmetric power relations" (in Latin American Structuralism), notions which are not ubiquitous nor constant, given the heterogeneous characteristics of the agents in question and their conditions of existence. The potential profit "margin" within and

be broken up into *money value* (Pilkington 2016: 196): $I + \text{SAL} + \pi \equiv \boldsymbol{\Theta}$; $\boldsymbol{\Theta}$ mark-up in money terms, I payments on interest and SAL, cost incurred, transactions costs, and π actual profit of the firm.

[8] Not to be confused with "monopoly power."

among production units, the unitary prices, and wage-salary levels, are the consequence of these power asymmetries. On the other hand, in Prebisch and Kalecki's argument, there is no "unique and univocal (much less a negative one)" tendency "between employment and salaries" (López 2008: 52). In Prebisch's vision, the pricing procedure does not assume nor require following a general rule, and salary levels are related to the "unions' action," (Prebisch 1948b in 1993: 358) "workers' pressure" (Prebisch 1948b: 341),[9] whether at the micro or macroeconomic scale: during the "upswing" prices rise, at real wages expense, or other sectors, allowing henceforth for profits to materialize in the entrepreneur's hand, as well as incrementing the savings rate, but it is during the downswing that the "fruits of technical progress" are transferred with less or greater extent depending on the antagonistic context of the community in question, aspect which has nothing to do with "competition": as prices rise faster than nominal wages during the upswing, during the downswing of the cyclical movement the same forces in action are those which reduce the "prices," but since prices "don't decline with the same intensity" as wages, it is precisely during this moment of the cycle that the "fruits of technical progress are transferred" to the collectivity (Prebisch 1948b in 1993: 358).[10] In other words, "wages" are lowered during the rising

[9] López and Assous: "income distribution is the result of the clash between the two opposite classes. To quote Kalecki's words used in the title of his last paper on the subject, the 'Class Struggle [determines the] Distribution of National Income' (Kalecki, 1971 [1991]). But the class struggle manifests itself both in the labor market and in the market for commodities in general. The *degree of monopoly* reflects the relative force of capitalists and workers in these two markets" (Kalecki in López and Assous 2010: 71, my emphasis).

[10] Kalecki, despite his own efforts to establish a "rigorous and mathematical business cycle model" (López and Assous 2010: 223), that is, a general theory of an endogenous "cycle," finally conceded to the unlikelihood in question, which meant maintaining a certain specific parameter to explain the cycle's ("endogenous") movement *and,* simultaneously, accept that the contingent historical antagonistic logics of investment-choice decisions could not be generalized. Prebisch, although sharing Kalecki's idea of an inherent "disequilibrium," "wave-like motions" of "capitalism" as its essence par excellence, presents no general theoretical effort to argue the "endogeneity" basis of the historical movements which are represented in a graphical image (see the chapter on Prebisch), with no formalization or mathematical representation of the model. In Prebisch's perspective, graphical representation of the movements in question (Prebisch 1949a: 484) assumes the inclusion of the notion of *time*, which is introduced in the realm of the agent's decision-choice horizon, transforming the very concept of "time"; "Time" itself paradoxically has no "symmetry," whatever its units, "instances," or metric or "clock-time," it cannot be made to follow a monotonically series of monetary units and investment and profit calculus. Literally, as the famous Shakespearian quote reads, for Prebisch, "time is out of joint," refers not just to the issue of the asynchronous feature of the articulation between the circulating and productive capital, "cycles" in space and "time," in which the respective "Center-Periphery" divide shows a constant reversal and "return" of income flows against the Periphery; but also that times "differ": Time's divergent logic is the consequence of differing antagonistic power asymmetries of the capitals, for Prebisch (in a certain sense Prebisch shares with his compatriot Borges his notion of time), "time" itself could not be made sense of in "economic" or "price" terms (Mallorquin, 2015). Hence, the "disequilibrium" implies jettisoning notions of equilibrium, or "imperfect markets"; "competitive" or "monopoly." Kalecki, in contrast, with no detriment to his general perspective, as an aggregate demand effective

prices, but not to draw, as the classical doctrine would have it, a greater "savings" ratio from top income sectors through a raise in the interest rate, but rather so that "businessmen can accumulate compulsively the savings of the rest of the collectivity" (Prebisch 1948b in 1993: 358).

Using Prebisch's expression: "businessmen pay each other profits," in the context of Pilkington's description of the growth process, implies the idea that higher unitary profits per product during the upswing do not mean *unescapably* a lower "aggregate" level of total "profits" as a consequence of a price decrease per product during the downswing. Although the rate at which prices drop during the downswing is greater than the corresponding change of prices during the upswing, lower unitary profits per product requires considering the "distribution" antagonism between certain sectors, and/or between differing economic formations (time disparity between those incomes leaving certain areas and the time lapsed during its return Center-Periphery). Profits, in Prebisch's perspective, depend on two elements: the productive process and the monetary mass generated during the last and all preceding productive processes, therefore whatever antagonisms or "competition" for profit may have prevailed among entrepreneurs, it does not "alter its quantity or its variations," *only* the "distribution *within* the group of the businessmen" (Prebisch 1948b in 1993: 355, my emphasis).[11]

The pricing procedure forms part of a contested "ritual" or of habits ingrained in the agents' behavior repertoire, through which in turn they sail into antagonistic uncertain waters, domains where the "rational or

theorist, on par or even prior to Keynes's famous work of 1936, understood what it meant to construct the formalization of a general model of the business cycle: "what was logically required for constructing a mathematically robust endogenous explanation of fluctuations is that the stationary equilibrium must be unstable, so that the system will never reach it. Thus, abandoning the reference to random shocks, he developed a new explanation fundamentally endogenous in which fluctuations result mainly from waves of optimism and pessimism. In the second place, he enlarged the scope of his model, with the aim of formulating a dynamic system whose solution would encompass both the cycle and the long-run development of the capitalist economy (López and Assous 2010: 92). Nonetheless, there is no space to discuss that perhaps the "Frisch-Kaldor-Kalecki," "endogeneity," "rocking chair" illustration, to theorize the causality in question might not be a "problem" at all. See Besomi (2010), Louçã (2001).

[11] No space to expand on Prebisch's theory on the appearance of "profits," suffice for now is to mention he has an "endogenous" notion of the creation of money (Prebisch 1944a, Mallorquin 2015) on which most of Pilkington's book is well versed. The idea of profits, combines the notion that a greater mass of money-income is presumed before the one but last productive process locates its goods in the "market," the corresponding money mass enables to "soak up" the "fruits of technical progress"; the sources of money income in question are explained by the progressive enlargement of the monetary mass generated previously and by those productive investment projects in process: paradoxically, "today's product" and its corresponding profits are "realized" by money incomes that were generated before. These aspects of the materialization of profit and of the productive process are irreversible, subsequent productive cycles assume certain expected profit levels from past experience. This process stalls or begins to slow down, amongst other reasons, if entrepreneurs consider a too high level of inventory accumulation and which, therefore, induces a lower rate of future investments in accordance with what is considered pertinent.

representative agent" is off-base: "businesspeople set prices long before the goods are even produced, let alone brought to the market" (Lee in Pilkington 2016: 198), denoting the materialization of the respective differing profits rates, an "irreversible process" (Prebisch 1948b in 1993: 336). The indecisive-uncertain image, which Marx portrayed as the *Salto Mortal,* is simply impertinent: the money which will "buy" or "clear" the market of its products has been previously emerging during the ongoing or the earlier stages of the production cycles, the current act of selling is the consequence of money-income, the sources of which were initiated in previous production processes (Prebisch 1948b: 337). In performative terms, profits are established the minute when the entrepreneur does the bookkeeping. The so-called "bargaining process" to establish "prices" and "costs" of goods has taken place "before" their appearance in the market, including the divergent profit *margins* and shares among and between the antagonistic heterogeneous units-agents of production, related to the power asymmetries and antagonisms of the units in question (labor/firms; firms versus firms). This is an aspect associated in marginalist economics only within the "monopolist" span of agents. Given the heterogeneous nature of the agents, which is a consequence of the power asymmetries, "marginalist" economics in Pilkington's words, executes an "enormous violence to the real world" (Pilkington 2016: 199).

However, Pilkington's critique of marginalism underlines an intromission which he sometimes typifies as an "inherently totalitarian" mode of thought, given the varieties of "violence" which "data" and "agents" have to withstand given the "*a priori*" framework. It generates negative effects in the mode of thought of students, encouraging viewing the world in a twisted and "distorted way". At issue once more are the power asymmetries, which form the basis of the mechanism by which some information/ideas are incorporated when specific policies are promoted and elaborated. And although Pilkington's critique might be turning on its head the sovereignty of the "marginalist" individualist perspective, his general view of "power," or its ambiguous references to "Kalecki" tends to obscure the specification of the asymmetries in question. For example, an alternative and more uniform arrangement of income distribution requires some form of "compulsion," direction, regulation, which we are not sure Pilkington is willing to defend.

Another of Pilkington's quote of Joan Robinson is instructive to highlight the *ambiguous nature* of the notion of power in his critique: "The search for the theory of a *normal* rate of profit is a bit like looking in a dark room for a black cat that probably is not there" (Robinson 1953: 227, my emphasis).

If profit margins are "largely a political, cultural or social question" (Pilkington 2016: 199), more important, and interestingly is "where profits in the aggregate come from" (Pilkington 2016: 199), and yet in the discussion of aggregate profits, Pilkington uses the classic marginalist narrative ploy of the "island," a "silly parable" that he acknowledges in a footnote (Pilkington 2016:

215), but which allegedly in his case, in contrast to marginalism, adopts more realistic "assumptions" (Pilkington 2016: 215). In the last instance, the debate that balances a specific set of "realist" presuppositions vis-à-vis a different scheme has always been determined by a "conventionalist" discourse, the substratum of which changes easily with new trends. Therefore, in marginalism, the Robinson Crusoe imaginary, as a ploy to evade the political examination and hence power asymmetries among and between agents, wishes to escape the notion of power, or in Wade Hands's terms (2005), it does "not want the social" as we will argue further ahead.

For the explanation about the appearance of aggregate profit, Pilkington recovers the imaginary narrative of the "silly island," which unlike its "marginalist" version, portrays some institutionally established rules like an obligatory minimum wage (a government), and a guaranteed stock of food to sustain the workers while it labors its first working period; a bank that lends the money to the capitalists, for them to undertake the payments for the building of the factory and producing the food in question, which the workers in question will buy. At the end of the first period, there is no need to employ the same number of workers, since the factory has been completed. The capitalist has accrued to its bank account the aggregate expenditure of workers (his profit) minus the proportion he pays as interest to the bank. The possibility of laying off some workers for the next production period means that aggregate expenditure or investment will be reduced. Hence, a potentially reduced level of aggregate profit, which ultimately could generate a "deflationary" situation since the workers will receive an excess of products greater than their income. It is at this stage that Pilkington brings in "government" spending to underline that in a "closed economy with no net government spending profits are equal to investment" (Pilkington 2016: 201). Pilkington's illustration brings to light the importance of government expenditure to sustain a certain level of investment. Government creates, through the Central Bank, the extra cash "out of thin air" (as explained by his critique of IS-LM workhorse, underlining the role of the Central Bank's target to set the interest rate and not the total stock of money),[12] the proportion of expenditure to

[12] Let us mention in passing that "creditor-debtor" entities declared are not necessarily "human individuals." The social relations seem to determine interest rates (according to Pilkington), which are related to the asymmetries of "extractive power". Having rejected the existence of "objective probabilities" that presume knowledge of future income and default prospects, Pilkington built a basic interest rate ratio: a debtor's income (y) or the "information" and debtor's "default rate" (dr) : $i = dr / y$, and if future income (information) and probability of default are unknown, given the absence of "objective probabilities," it could still be argued, from a more "pragmatic" view that what is at stake here are the waves of optimism and pessimism in the credit cycle. Fortunately, Pilkington does not follow that line of thought underlining a key variable: "extractive power" (ep), which is integrated into the equation. A further aspect in the asymmetries in question $i = dr / y \bullet ep$. An analogous category, instead of "extractive," which could do the same job is "asymmetry": "the relative extractive power, ep – the threat - that the lender holds over the borrower also plays a role in interest rate determination. The lower the magnitude of the

sustain the level of investment previously reached, which means that the aggregate profits will return to their previous level. And profits will depend simultaneously on the "private sector" and on government sector investments. Capitalists' profit flow level will continue the same, and with each subsequent period of production, capitalists' profit stock will grow systematically. Obviously, if the capitalist decides to cancel their debt with the bank, the latter's profit *stock* stops increasing. Until now, prices have been stable, wages and investment "clears" the market of products, but with a rise of a salary by the government in favor of a *specific sector* of the work force (increasing expenditure), the proportional share which each group appropriates has shifted, within the class of laborers: the higher earning sector bids up the prices and the asymmetric distribution of the product initiates its course. Meanwhile, the capitalist's profits have been amplified through the "inflationary" wage rise procedure, but soon other workers' sectors bid for a wage rise to recover their proportional share of the product lost by the original wage hike level. After an initial erosion of profit stock levels, given "inflationary" pulls, it subsequently recovers. Given that the banker ties his debt in nominal terms, not real terms, which is not based on the basket products it can buy, inflation swallows his interest payments away, while the capitalist's debt in interest payments is lower in real terms as time ensues, henceforth "in an inflation real wealth will be redistributed from creditors to debtors" (Pilkington 2016: 204). This focuses on the famous Kahn multiplier,[13] in which a certain increment in expenditure generates a further outflow of disbursement giving rise to a boost in the product output. It revolves around the notion of the marginal propensity to consume, which is relatively divergent among different income sources, given specified consumption threshold rates for the same set of goods on the part of certain agents.

The so-called "Levy-Kalecki Equation" $Y \equiv \pi + W$[14] is fetched to portray gross profits of the "economy as a whole" (Pilkington 2016: 209) (GDP) in an economic formation, which in terms of investment and consumption and excluding government and financial entities, as well as GDP, equals the gross profits plus wages and salaries.[15]

threat, the higher the interest rate will be, and vice-versa" (Pilkington 2016: 247).

[13] (1 / 1 - MPC).

[14] Y = income, π = profits, W = wages.

[15] $I_R + C_p - Sw_R = \pi_R$ is the profit formula with no government (p. 272). National income with taxes can be expressed as $Y \equiv (\pi - T\pi) + (W - Tw) + (T\pi + Tw + T_i)$ (p. 210); taxes on profits, Tπ; taxes on wages, Tw; and T_i indirect taxes. Therefore, gross profits excluding taxes: I + (X - M) + (G - T) + Cp - Sw = $(\pi - T_\pi)$; net gross profits are the sum of I, gross investment + net exports + budget Deficit + capitalist consumption – worker saving; X - M net exports, exports minus imports; G - T is the budget deficit, government expenditure minus taxes again, Cp consumption out of profits (capitalists consumption), Sw, workers savings. Notice that in the latter expression, the three-bar denotation has given way to a causality implied by the two-bar

Also, profits can be revealed with the following formula $I + C_p - S_w = \pi$.[16] But this expression has excluded the possibility of examining the intrinsic *potentiality* of the antagonism in question, for example, a recurrent recap of another cycle of higher wage demands by labor, since these shares or proportions cannot be ethically upheld or reasoned by the so-called "marginal productivities" dictated by the "competitive" market narrative of marginalism. The agents "might not know" their actual standing income level regarding their experience.

The expansion of the money mass, through the appropriate financial channels, to cover these advances, is often perceived as essentially "inflationary", a perspective from which Pilkington perhaps has not fully distanced himself. A narrative that claims that all "inflation" is "too much money chasing few goods" or a "monetary phenomenon." Therefore, the "low-inflation equilibrium growth" or "unstable path of high-inflation disequilibrium growth" (Pilkington 2016: 198) specification tends to obscure those antagonistic moments characterized by the growth process. Although Pilkington discusses four types of inflation, "demand-pull inflation," "cost-push inflation," "speculative inflation," "exchange-rate inflation," which he says may overlap, he considers sufficient the assertion that it relates to a "complex phenomenon" (Pilkington 2016: 175).[17]

Having "demolished" the "maximizing individual" or representative agent, Pilkington must incorporate a mechanism to explain the logic and practice of choice-decision related to investment. Equally having displaced the pertinence IS-LM model as a source of a unified horizon to reflect on the manner by which agents can be seen to undertake their

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identity (=) symbol which means that it is in the left-hand side that we find agents' decisions changing the process in question. Pilkington is aware of the tautologies of formulas or "truisms" in Fisher's terms (Fisher 1911: 157); see also Sunkel (1957).

[16] I is gross investment, Cp consumption out of profits (capitalists' consumption), Sw, workers saving (wages minus consumption of workers, or W – Cw; (Y ≡ E) Income in terms of expenditure, hence E (≡) I + Cp + Cw and W ≡ Cw + Sw. It follows that I + Cw + Cp ≡ π + C + Sw, cancelling and reshuffling I + Cp - Sw = π. The three-bar notation (≡) is a sort of "truism" (p. 223), while the two-bar notation is the identity symbol, which has "behavioral connotations" or a presumed causality. So, Pilkington's notation is a different way to distinguish dependent from independent variables.

[17] Latin American Structuralism discussions, for which there is no space here, treats this "complex" phenomenon questioning the classic quantity theory of money and its impertinence for the Periphery, but unlike Pilkington, "inflation," is "always and everywhere" an antagonistic moment, a defiance of the "distributism" pattern which Pilkington discusses, but on which he does not expand theoretically nor its consequences: "inflation is fundamentally a struggle among groups for the redistribution of real income and the price level rise is just one outward manifestation of the phenomenon" (Furtado 1954: 181), "inflation (...) as we have seen is not, in its origins, a monetary phenomenon. It results from the action of certain groups that pretend to increase their participation in the real income" (Furtado 1954: 183).

investment choice-decisions (interest rate-investment), and/or financial markets, Pilkington is under an obligatory theoretical mandate to explain the indeterminate realm of "savers and investors" (Pilkington 2016: 223) and the "varying interest rates" and investment projects, especially given the heterogenous and/or "kaleidoscopic" (Shackle) characteristics of the agents in question.

It initiates by distinguishing two processes, which Pilkington formalizes mathematically, whereby agents take decisions-choices, whether related to "financial investment sector", where liquidity preference (*Lp* = Bear / Bull), plays a primary role and the "real investment" activity represented as "animal spirits" (As_R), although he concludes with a more general formula subsuming the former within the latter:

> the bear/bull ratio (i.e. liquidity preference) is actually synonymous with the velocity of money in the market in any given period. As the amount of bears increases relative to bulls, the velocity of money in the market slows as those bears hoard money and the price of securities in that market falls. As the amount of bulls increases relative to bears, the velocity of money in the market speeds up as bulls increase their expenditure of money and the price of securities increases. (Pilkington 2016: 241-242)

Certainly, by breaking with "Keynesian" or "post-Keynesian tradition",[18] he uses the notion of "animal spirits," reconstructing the concept by incorporating aspects of the "marginal efficiency of capital" to which Keynes pointed only to ponder on the formal aspects of the investment process. This line of argument implies that the notion of "liquidity preference" also must be brought to shoulder the agent's action course. Thus, to explain the activity of the "real sector," which corresponds to the "animal spirits" dominium: "animal spirits": ($(As_R) \bullet (1 / i) \bullet Q_R = I_R$)[19] (animal spirits As_R; i = interest rate in that particular market; Q_R,

[18] "Note that Keynes used this terminology in his *Treatise on Money,* but we are using it in an entirely different way, one which incorporates Keynes's more mature ideas about liquidity preference (Keynes, 1930). The present usage is more similar to the manner in which Joan Robinson used the terminology in her monetary theory, but she abstracted away from the existence of bulls themselves (…) an enormous step backwards (…) the closest to the present usage is G. L. S. Shackle" (Pilkington 2016: 269). The formula would be 1 / [Bear / Bull] • M = A • B; M is money; A refers to the price of the first but last bid of an asset / bond which is B. The formula for Capital Gains $_{t+1} \equiv A_{t+1} \bullet B_{t+1}$. Therefore, Lp = Bear / Bull: 1 / [Lp] • M = A • B ≡ 1 / Liquidity preference • Money = A • B • Lp ≡ Bear/ Bull.

[19] Subscript "$_R$" represents real investment in contrast to "$_F$", financial investment: "If we refer to the actual money that changes hands due to financial transaction as financial expenditure or financial income, then we can say, again being careful to distinguish from *real* expenditure and income, that" (Pilkington 2016: 237) $E_F \equiv I_F \equiv Y_F \equiv S_F$. In these cases, we are dealing with "financial expenditures", a bond (E_F), or financial investment (I_F), or if the receiving of an income (Y_F), financial income, or financial saving (S_F), it's just an analogy to the real economy, it "does

expected profits; I_R = real investment), Pilkington advances the idea in which "animal spirits" are "the liquidity preference of the real investment market. They are, however, the *inverse* of liquidity preference" (Pilkington 2016: 249). The "liquidity preference" refers to the ratio movement of pessimism/optimism, bidding, buying, or selling bonds/assets. The yield-price vitality (Bear / Bull) in the "financial" market can be seen simply as the inverse of "animal spirits." Synonymous to the money velocity notion.

The contrast between the notion of "animal spirit," viewed as the inverse (Bull / Bear) of the liquidity preference (Lp ≡ Bear / Bull), means, paraphrasing Pilkington, a rising impulse to the increment of "real investment," enlarging new "productive capacities," borrowing money or liquidating financial holdings, which culminates in new "productive capacity" (Pilkington 2016:249), contradicting the liquidity preference ratio that entails a reduction of acquisitions levels by financial investors protecting their purchasing power by amplifying their "liquid assets" or cash.

Perhaps, the distinction between Lp = Bear / Bull and the AS_R formula, financial and real investment respectively, becomes an important necessary qualification in the investment process for those economic formations in the "Center" which exhibit an important multi-layered and "deep" bond-assets and "stock-market institution" and all sorts of money substitutes (Ms), which cannot be generalized to reflect the investment process in the peripheral countries. In certain center or core economic formations, these financial underpinnings are crucial to the investment choice-decisions patterns, the rise of the hegemonic role of the "bullish" "vitality" of the market, whether "financial" or "real" forms part of the changing transient antagonistic conditions between and among agents or firms.

Pilkington insists that the agents in question (Bears / Bulls), are "people," optimistic-pessimistic about a future increase (decrease),[20] of bonds-assets yield-price, but for the critique that follows, I underline the notion that the reference to "people" as those whose pathway between "Bear" to its opposite "Bull" (indeterminate in time and process), are not necessarily "human individuals."

It refers to movement of the "*ratio*": proportions of changes of those flipping from one position to another, a consequence of a diverse set of heterogenous-

not add or subtract anything from it."

[20] Pilkington's explanation underlines a crucial point at issue, the contrasting logic of the price of *bonds* regarding stocks: "the price of a *bond* is inversely related to the interest rate or yield on that bond. Thus, when the price rises/falls, the yield will fall/rise. This is, however, not the case with stocks. Stocks do not have interest rates per se. Rather they pay out dividends and the relationship between the price of a stock and its dividend is by no means simple. The reason that economists historically discuss bonds rather than stocks is because of the simple price/interest rate trade-off that characterizes the market. The stock market is a far more complicated beast, but the basics can still be understood by utilizing the liquidity preference theory. Just remember that *when the price on a given bond rises, its interest rate declines, while when the price on a stock increases its dividend should not be directly affected.*" (Pilkington 2016: 267)

kaleidoscopic agents, but most of which are not "people," among whom we can mention great corporate entities or bond-stock associations and their respective "algorithms" coupled to decisions/options:

> in what proportion those in the market are net selling and to what extent they are net buying. The manifestation of the bulls and bears represents the liquidity of the market as a whole at a given moment in time. As liquidity preference rises bulls turn to bears and as it falls bears turn to bulls. So, the liquidity preference rising leads to a heavier weighting of bears in a given market than of bulls and vice versa or: (Lp ≡ Bear / Bull). (Pilkington 2016: 239)[21]

The "animal spirits" are displayed through the "kaleidoscopic" notion of Shackle's work: a diverse and non-determinant mode of calculating (assessing) modes of investment projects, the "equiprobable" case of certain future events occurring is excluded, and stresses the "potentially infinite" (Pilkington 2016: 286) events or outcomes, which means that we are in a completely "different space" to the "dice" or the "coin" illustration of "chance" implied by certain models of econometrics or schools, whether Bayesian[22] or not. Shackle is brought to enlighten the "subjective" nature of our evaluations: "human imagination and storytelling comes to the fore, we are no longer in a world of the probable, rather we are in a world of the possible" (Shackle in Pilkington 2016: 286). The "individual's" "uncertainty"[23] in question, can nevertheless separate "sense from nonsense" (Pilkington 2016: 287), putting aside conjecture and imagining alternative situations, which is defined through Shackle's work as "bounded uncertainty" (Shackle in Pilkington 2016: 287) which, in turn, reminds us of Simon's use of "bounded rationality" (Hodgson 2004).

Before describing the description of the formalization process by which "animal spirits" (AS_R), investment-profit are realized, in bookkeeping terms, it is necessary to represent the notion of profit in question.

The "animal spirits" (AS_R) are the consequence, the result of the ratio movement of Bulls to Bears in the market for "*real investment,*" which Pilkington formalizes:

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[21] The reason that explains why the capital market horizon does not reflect a hurricane of untamed forces has to do with "social norms within investment communities. Optimism and pessimism tend to come in waves (...) and during these waves, swings are somewhat bounded. But there is a deeper explanation, and it is one that economists like James Steuart and Karl Marx knew well: the interest rate is a question of distribution grounded in legal, social, and political norms. The interest rate - or the rate of return on accumulated wealth- is determined by the relative social power of creditors" (Pilkington 2016: 246).

[22] The book also presents a well-prolonged theoretical discussion, between different "schools" of econometrics and the role given to "objectivity" of the calculus in question.

[23] Pilkington devotes much space to discuss the notion and its differences between Keynes and Knight. For his part, Danby (2017: 158) merely distinguishes the Keynesian idea as necessarily an "ontological" condition; see also Hodgson (2011).

$$(Bull / Bear_R) \bullet [\, 1 / (\, (1 / M + Ms\,) / (Bull / Bear) / A\,)_F\,] \bullet Q_R = I_R$$
(1)
(Pilkington 2016: 250)

or

$$(Bull / Bear_R) \bullet (\, i_{rt} + T_c + D^e_r + \Delta i^e_{rt}\,) \bullet Q_R = I_R$$ [24]
(2)
(Pilkington 2016: 271)

Pilkington launches the discussion of investment to an endnote and in which he is aware of a similarity with something "like an 'accelerator principle'" to think the notion of the "rate of investment" (Pilkington 2016: 271).

According to him, the:

> accelerator principle performs rather well empirically, but it fails to explain why investment every now and again simply falls. This can be explained much better using a framework that integrates liquidity preference and animal spirits. We should also note that while the above is a good way of thinking about the economy, it is not entirely accurate. After the 2008 financial crisis and the subsequent recession, corporate profits in the USA soared due to the large government deficits that were being run at the time. Nevertheless, investment was extremely slow to pick back up. This was because the firms were able to meet their present orders without needing to expand their productive capacity, and so they turned to wash their profits back into the financial markets. In Keynesian terms, we might say that the marginal efficiency of capital was very low relative to the going interest rates in the financial markets at the time. This example shows quite clearly that it is to oversimplify to say that profits determine investment in some mechanical manner. (...) We have only laid out the above provisional account as a sort of guide, which is by no means definitive. In order to understand the real

[24] The interest rate thus determined is the consequence of i_{rt} (overnight target interest rate), Tc transactions costs for borrowing money and Lp_{irt} stands for the liquidity preference in an IRT market, in which "the central bank does not intervene directly in these [financial markets] by engaging in assets purchases" (p. 244), hence the interest rate $i = i_{rt} + Tc + Lp_{irt}$ (Pilkington 2016: 245). But "liquidity preference" under the IRT market liquidity preference has to take into consideration the Default risk (D^e_r) and the expected change in the overnight target interest rate, hence $Lp_{irt} \equiv D^e_r + \Delta i^e_{rt}$ (Δ = proportion of change). Therefore, the expression $i_{rt} + T_c + D^e_r + \Delta i^e_{rt} = i$, means that as the number of bonds grows money mass expands, which in turn entails the issue of money's risks, whether to keep idle or invest it.

nature of investment, one must be appreciative of the kaleidoscopic nature of investment decisions in capitalist economies and be prepared to fully engage with the 'state of the news.' This is why economics can never aspire to being a 'hard' science like physics or chemistry. The subjective and evolutionary element therein is simply far too great. (Pilkington 2016: 271-272)

"Ruling the Roost"[25]

The title of this section intentionally aims to provoke certain ambiguities of Keynes's famous aviary image by which he advances the argument explaining which particular "asset" becomes the dominant benchmark for examining potential investment strategies, which is also a distinctive aspect when analyzing diverse economic formations, or the Center-Periphery power asymmetries. In other words, that which appears a clear-cut choice decision response on the part of certain agents, is belied by the context and by the power conundrum. The "ruling" and "rules" dichotomy implies some explicit dominium *and* following instructions. An evaluating agency *and* a "policing" practice, hence the role of the FMI in most negotiations to restructure loans-debts, for example, and/or credit rating agencies.

The "broader conclusion" is that "the interest rate is ultimately determined by the relative power of creditors in a society" (Pilkington 2016: 270).

> Since the loan shark operates outside of the law, his extractive power is higher than that of the bank which operates inside of the law. This means that interest rates are always determined by the prevailing structures of the era. (...) always precede the existence of capital markets (Pilkington 2016: 247).

Bankruptcy laws represent the embeddedness of "legal frame works" (Pilkington 2016: 248), there is always a regulatory, customary, and / or traditional regime. Capital markets function because there are all sorts of regulatory regimes:

> The key determinate of interest rates is the relative social power of creditors. We as society determine this relative social power. If a society is set up in such a way that the creditors control the mechanics of power, then the relative return on wealth should be low, then it will be low. What is more, there is no 'market rate of interest' prior to these arrangements already in place. Certainly, there are various market rates of interest within a given legal-institutional, but there cannot logically be any market at all prior to the legal institutional arrangements being

[25] "For it may be that it is the greatest of the own-rates of interest (as we may call them) which rules the roost (because it is the greatest of these rates that the marginal efficiency of a capital-asset must attain if it is to be newly produced); and that there are reasons why it is the money-rate of interest which is often the greatest (because, as we shall find, certain forces, which operate to reduce the own rates of interest of other assets, do not operate in the case of money)" (Keynes 1936: 223).

> in place. (...) because mainstream economics can say nothing about the relative power of creditors in society, (...) their theories are still completely irrelevant because they say literally nothing about the relative power of creditors in the economy. (Pilkington 2016: 248-249)

Power asymmetries between the Center-Periphery antagonism, focused within the context of trade policies, are equally central to the Latin American perspective, initially defined by Prebisch as the "Ricardian loss" probe, which unfortunately does not receive much space in Pilkington's book: one chapter, the shortest, bringing once again to light a certain undecided theoretical aspect of his work, the antagonistic character and power-driven nature of the notions of agents and their milieu. In "Non-Dogmatic Approaches to the Economics of Trade," the critique of the relative comparative advantages of the international "division" of labor doctrine, underlines once again the importance of "uncertainty" to deliberate on investment decisions and their diversification: you "should never put your eggs in a single basket." This is coupled with revealing the shallowness of those arguments that sponsor "free trade" under whatever circumstance. Therefore, that which is taught as "the theory of comparative advantage," is portrayed as David Ricardo's struggle in the 19th Century to promote the "free trade" strategy by the then ruling "Empire." But today, in the so-called "promotion," by the "Washington Consensus," of trade between "open economies," Pilkington's representations of its consequence are underlined by the simple example of the role of production specialization on those products with which a country performs better than its trading counterpart, allegedly propagating a higher total product for those economic formations involved, a perspective which hides a series of unsustainable presuppositions, which "development policies" should challenge, especially in the Periphery.

The criticism stresses the distance, once again, between the models and the "abstract world of ideas" (Pilkington 2016: 326). Models of comparative advantage assume full employment in both entities/countries implicated, and the existences of unemployed resources can be put to work literally "cost-free." Free trade deals often bring about the loss of employment and the narrative in question insists that these losses are "matched by gains in a new export sector" (ibid.). Synthetically, it resuscitates "free market clearing" arguments as well as the assumption that a more dynamic efficient productive sector will materialize. But as economic formations not only in the "Center" but especially those in the "Periphery" as well have found out:

> it becomes by no means clear that if a factory geared towards domestic production closes down in Detroit due to a free deal, it will be replaced with a new factory geared towards export production. A whole host of factors will have come into play here to rebalance the economy from this shock and ensure that it reaches some sort of equilibrium; otherwise, the result will simply be unemployment and a serious

> downward pressure on wages in the higher wage country. (Pilkington 2016: 326)[26]

Pilkington's USA example elaborates the narrative on the importance of the positive effects of free trade and open economy generating a higher level of efficiency around the world, but which simultaneously and collaterally undermines "worker organizations" through unemployment augmentation which, in turn, induces some form of stagnation in effective demand, debt rise and instability. Once again, the comparative advantage doctrine assumes away institutional factors, resuscitating "flexibility" and perfect factor substitution. This theory is certainly "static" in the sense that the specializing trajectory in certain sectors or segments inhibits their future development into higher technological areas. Ricardo's Portugal/Britain open trade example (cloth/wine respectively), obviously was pondered from within the British empire perspective, which might have ruined an impending "textile" industry. The example of protection policies in the USA is a clear case that demolishes any sort of "level playing" field by limiting imports and thus generating local positive effects for local companies.

The dominium of the aviary image of the dominant "rooster," ("ruling the roost"), in the context of "open economies" and "free trade" in a world of multiple antagonistic "exchanges" obscures the latter configuration, to say the least. Hence, "free trade" specialization can become a negative and damaging long run consequence in certain areas or Center countries too. In the Periphery, the prices of their export (primary) products exhibit a haphazard tendency, which, contrary to Center economic formations, have limited power trade mechanisms by which to counteract internally and externally a "purchasing *power*" loss, or income level vis-à-vis the "external shocks."

Prebisch's arguments on these aspects during the early 1950s are clearly reflected in the negative consequences for the balance of payments and the functional income distribution within the Periphery. The predominance of policies for an "inward growth" strategy vis-à-vis the one sided "export driven" perspectives of "pre-Second World War," implied recovering the importance of the "multipliers'" effect of local capital investments.

Once a period of deterioration of the terms of trade sets in, the Periphery's limitations to sustain external payments to cover not only certain aspects of current but also the capital account to maintain certain levels of imports is underlined, a thesis which again, during the 1970s, in the Eurocentric discourse was *tangled* (sorry for the pun intended) to the name of A. Thirwall's[27] thesis

[26] No space to touch on Pilkington's rejection of the notion of equilibrium or Latin American Structuralism critique, but Nadal's deconstruction of the mathematics in question is counterpoised by Debreu's dictum that: "in proving existence (...) one is not trying to make a statement about the real world, one is trying to evaluate the model" (Debreu in Till and Roy, 2014). For a general appreciation of the concept of equilibrium, see Russett (1968).

[27] Again, no space here to describe Prebisch's theoretical vocabulary during the 1950s which

on the “balance-of-payments-constrained growth models.” Pilkington is all for “diversification” of the economy, which allows the economy to withstand the:

> unforeseen swings in the supply and demand of certain goods. Again, we should always remember that it is not a good idea to put all one’s eggs in one basket lest that basket fall to the ground. (Pilkington 2016: 328)

Nonetheless, first, it is urgent to displace the aviary vocabulary, and the “chicken run” images, which do not reflect the antagonistic characteristics of the realm in question. Previously, we mentioned the semblance related to the inadvertent “dropping the basket,” which only masks the potential power asymmetries among some countries (agents) to undertake and sponsor policies to counteract the negative consequences of the reduction of purchasing *power* of its exports and hence its imports level capacity. During the 1950s and 1960s, the movement to construct a sort of “buffer stocks” to stabilize prices for certain primary goods like coffee, cocoa, sugar goods, was defeated during the 1980s with the neoliberals’ narrative of “open economies” and non-intervention in the so-called “market” by the State. Although the encouragement of export policies for certain sectors was not an antithesis to an inward led development policy proposed by Prebisch and Latin American Structuralism, the struggle to undertake reforms in the Periphery to *selectively* open certain sectors of those economic formations became prohibited during the external debt renegotiations during the 1990s negotiations.

Terms matter (Center-Periphery antagonisms) especially when the aim is to explain agents’ behavior and outcomes vis-à-vis each other during their “interaction.” The early illustration that Pilkington posed in the book, on the outcomes of a certain football spectator’s behavior, forcing or determining the “upright” position to those behind him if he stood up, evades the consideration that the event reflects a potentially antagonistic confrontation with those spectators that do not want to see the game in an upright position and, worse-case scenario, those groups of individuals that have “organized themselves” to act otherwise as a “unified” agent, bringing to light the indeterminate heterogenous nature of the agents in question, “individuals” or a “unity of spectators,” both of which require some sort of deliberation of the choice-decision moment. The process might generate a collective

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would certainly displace the “odd couple” narrative repeated in Western-centric academia in the 1970s with the so-called “Thirwall-Prebisch” thesis, in López’s words: “the Prebisch-Thirwall notion (...) has become a workhorse in Keynesian-inspired open-economy macroeconomics. Its main message is that when exports grow (or when the import elasticity of output falls), private demand is stimulated. Besides that, note that growth of exports induces growth of imports, which, however, is lower than the original growth in exports, such that the government has room to implement expansionary demand policies without endangering the trade balance.” (López 2018: 337). Furthermore, the insistence in recent decades with policies for the Periphery, which *exclusively* concentrates on the “export driven” sectors as the *only powerful multiplier* dynamism for growth vis-à-vis local capital development investment can be questioned (see Perrotini and Vázquez-Muñoz, 2018).

"agency," pushing, shoving, and threatening those in front if they don't sit down, it is an undecidable and contingent "situation." We cannot discern what response will ensue due to the behaviors in question. That requires us to examine the historical data, otherwise, we would be receding into the predetermined rational actions of the "representative agent of marginalism," which Pilkington demonstrates as being unviable.

Although Pilkington, as mentioned previously, is not consistent on the vocabulary and its tone, since he advises awareness of the "institutional nuance" (Pilkington 2016: 329) of "free trade," which he acknowledges: "free trade is an inherently political issue: what political forces within the countries in question are for the free trade policies and what political forces are against them" (ibid.):

> What changes will opening up an industry to free trade have in the countries in question? Is there reason to believe that the labor that loses employment will automatically find it elsewhere and will the jobs be of equal quality? Are we making a country too reliant on a single good when we open them up to free trade and enforce specialization? What effects will the opening up of a country to free trade have on income distribution? (...) In order to understand the agenda behind any trade policy at any given moment in time, you must examine it in critical detail. What free trade dogma does is it tricks economists fooled by their own simplistic narratives into becoming propagandists for whatever powers-that-be want to impose on various countries at any given moment in time? (Pilkington 2016: 331)

Accepting Pilkington's dictum that "free trade" is not always "bad," and contingent on the political and economic forces in question, a "development strategy" is of prime importance in countries at the extreme end of the asymmetric power contingent chain effect, which again cannot be examined independently of the specific power asymmetries in question: countries and enterprises (agents) involved, the range and capacities of debt, evaluated by agencies in Center countries. The Periphery's product's future, or purchasing *power* incomes is equally examined, and "policed" with WTO rules, which limit the pertinency of using the "market" narratives as the best pick of the bunch to elaborate the long and short view of the investment projects. Equally, the sole idea of "free trade," as well as "opening up a country," accepts most of the presupposition of the "Ricardian Zealotry," evaporating the asymmetric power relationships which world trade organizations enforce systematically and sometimes even against the trade conventions, a consequence, as said before, of the power the asymmetries between the nations in question. It is in this discussion that Pilkington's strategic critique of "Ricardian Zealotry" might miss the mark, since he assumes a "consensus," "quite terrifying" (Pilkington 2016: 330) among economists, about the positive role of "free trade." Although it is very easy to agree with Pilkington's critique of the

"Ricardian Zealotry" in question, which underlines the substantive childish theoretical presuppositions originating in "market efficiency" and EMH arguments, Latin American economic discourse, as seen before, contradicts the apparent "consensus" by Eurocentric academia. Sharing Pilkington's "exasperation" and "shocking" disbelief of the theoretical vocabulary and preaching when Eurocentric economists discuss the issue of "free trade," this opinion is not unanimous, as the above has shown among "economists" in the "Periphery," despite its hegemonic role in most of the economic reforms over the last three decades by the Latin American governments.

In order to underline my argument, and perhaps to reinforce Pilkington's use of Krugman to that effect, I may concur with most of the limitations which Krugman's position's "patronizing tone" generates in the theoretical discussion about the status of the "comparative advantage" narrative, but then Pilkington himself could be under the same insular sway by not taking into consideration the distinct and alternative discourses outside his own geographic milieu, notwithstanding his allusion to the struggle by French students to reform the economic discipline.

Krugman's theoretical evolution shows just as well the "exasperating" institutional conditions of the profession in question mentioned by Pilkington, in which confessions on theoretical waverings are not really made to count. Let us not forget Pilkington's presentation of the ambivalent nature of most of Krugman's appreciation and position on the IS-LM model discussions, with the "comparative theory" narrative, and the "ambiguous nature" of the author's ideas. Krugman's discussion and propagandist thesis on "Ricardo's difficult idea" was followed (and I am not going to say paradoxically, because it is exactly the practice of the economic profession which I wish to underline), by a text, during which it is claimed, A. O. Hirschman's work on development theory, "proves" that "equilibrium theory" was wrong and "the theory of economic development was correct" (Krugman 1997: 29). And yet there seems to be not even a hint or impression of the theoretical consequences which should follow from this revelation, for his own previous "decades" of work or the economic profession at large for that sake. I am not just implying the "limited" knowledge of Hirschman's work[28] by Krugman, rather it relates to the inexistence of any sort of theoretical reconsideration which such a recognition should generate, and especially because "disequilibrium economics" presupposes a totally different set of notions about the agents' conditions of existence and their perspective to undertake certain decisions-choices.

Hence, "disequilibrium economics" implies taking seriously the terms of trade and their consequences especially for the Periphery vis-à-vis the Center. If we retrieve Pilkington's final profit equation, with no government ($I_R + C_p - Sw_R = \pi_R$) (Pilkington 2016: 272), and twist it a little, national income with taxes can also be expressed as $Y \equiv (\pi - T\pi) + (W - Tw) + (T\pi + Tw + T_i)$

[28] See chapter on Hirschman above.

(Pilkington 2016: 210); and global profit as: I + (X - M) + Cp - Sw = π, which is the sum of I, gross investment + net exports + budget Deficit + capitalist consumption – worker savings; X - M net exports, exports minus imports; G - T the budget deficit, government expenditure minus taxes again, Cp consumption out of profits (capitalists' consumption), Sw, workers' savings. Notice that in the latter expression, the three (≡) bar denotation has given way to a causal process implied by the two-bar identity (=) symbol, which means that it is the left-hand side where we find agents' decisions changing the process in question.

The antagonistic "trade" relations between Center and Periphery are hidden somewhat, since the Periphery's export volume is concentrated in a reduced number of products, often "primary" products, although not necessarily. Therefore income, which in distinct periods tends to display a deterioration of its value in terms of those it acquires from the Center (industrial goods), becomes the source that generates the series of "devaluations" and "higher import prices" and not necessarily a financial mismanagement. Aspects of which, in Western-centric academia, Prebisch's name is joined to Singer.[29] Given the Center-Periphery power asymmetries,[30] it's the Periphery that modifies its "prices" or "costs" during the downturn of the cycle, while in the Center, a better organized labor force manages to retain certain levels of income previously reached, and therefore manages to keep those "fruits of technical progress," an entitlement, to which, it must be emphasized, is deservedly acquired in view of their previous toil and sacrifice, but a process towards which the Periphery wants access through a selective process of social and technical transformation, by a variety of industrial and social reform policies. The deterioration of the Periphery's terms of trade vis-à-vis the core countries, in Prebisch's view, is not an "iron law" (Prebisch 1951b: 6-7)[31]. The wave, undulatory "movement - reality" of "capitalism," the upswings and downturns, imply taking into consideration aspects of the balance of payments and the trade relations as intrinsically "uncertain" and volatile, which in the last instance are the consequence of time disparities

[29] Once more the "Prebisch-Singer" thesis requires a theoretical "decoupling" process: the "deterioration" process appears in his writings during the early 1930s and the vocabulary "Center-Periphery" is quite dissimilar to Western-centric academia notions of trade between industrial and primary producing countries.

[30] Please take note that we do not use the term "unequal," which does not mean the absence of imperialist policies.

[31] After the appearance of various texts (Prebisch 1949b, 1950, 1951) where Prebisch presented these aspects in detailed fashion, in a course of lectures in October 1951 to the Training Center of Latin America in programs and agricultural projects and related subjects, he explicitly denounced the then misinterpretation of his posture: "I was made responsible for having formulated an immanent law of the process of economic development by which the prices of primary products tend to depreciate in relation to those of industrial products. I have not formulated any sort of such immanent law, but I simply called the attention to the phenomenon that has occurred in a determinate period of time under the pressure of certain forces. We don't know what will occur in the future, it depends on a series of factors" (Prebisch 1951b: 6-7).

among and between economic formations (Center-Periphery) and the productive and circulating realms.

The current mode of organizing a selective "open" devaluation process among and between diverse economic formations, Center-Periphery, does not allow for much room for an autochthonous adjustment without penalizing "development" policies in the Periphery (Nadal 2004). The Center-Periphery power asymmetries are related to the existent, although challengeable, constraints imposed by certain historical trajectories, requiring reconfiguring the previously diverse and heterogenous conditions of existence of trade and productive exchanges.

Furthermore, the periodical relative reduction or purchasing *power* "loss" of income by the Periphery given its trade and commercial links, contributes negatively to its "external" balance sheet, and capital account, requiring borrowing from the "Center" at a certain interest rate, with a currency unit (generally the dollar) as an "asset" whose value as Keynesians say, "own rate of interest," oscillates, not only regarding the Periphery's monetary unit, but also other international standard currencies (euro, yuan). As we know from Pilkington's presentation, local and international interest rates are the product of power asymmetries themselves. Different trade zones and economic formations (Center - Periphery - agents) aspire to "control," through their portfolio, the payment's management, which is articulated and pegged to the value of the dominant and most used currency in the zone in question. Corporations, commercial enterprises, and countries must fine-tune their payments to the changing nature of what Keynes described as the "rules of the roost" antagonism (Keynes 1936: 223) or the asset/commercial entity whose value level "disciplines" a ranking order by which debts and investments are calculated (Minsky 1986). Recently, it has been argued that there exists an asymmetric "hierarchy" of international monetary anchor-units (dollar first, euro often second, and Japan's currency third in its region),[32] a ranking order, once again, a power asymmetry relation between and within Center and Periphery dominating the scale and shares worldwide used of the international currency which clears the great part of the "transactions."

Unlike the post-World War II international agreements of Bretton Woods, which pegged on "dollar-gold" the currencies in question, the current open and antagonistic struggle to occupy the "rule of the roost" position, or convert to a certain anchor currency preference as the unit for trade, and therefore debts, it's "normal" to encounter contingent and transient periods whereby countries balance accounts change dramatically, as the unfortunate image goes, several agents transform their assets and "fly to safety" from the Periphery headed towards the Center, anchoring its portfolio value set into

[32] Rogerio P. Andrade and Daniela Magalhães Prates (2013); Bruno De Conti, Daniela Magalhães Prates (2018); Luiz Fernando de Paula, Barbara Fritz and Daniela M. Prates (2017); Daniela Magalhães Prates (2017); Daniela Magalhães Prates and Luiz Fernando De Paula (2016); Meireles (2016)

those international monetary currencies considered of the highest relative "value."[33] Once again, displacing the "aviary" metaphor, it's the "monopoly" of the possibility to create and use the dollar, by the U.S.A, lowering transactions costs both internally and externally, which forms the basis for its dominant international role as an account unit: fewer negative dangers and risks of the so-called "flight to safety" conundrum, despite all vulnerabilities and impending crisis intimated since remote times, by the economists of the Bretton Woods era (Triffin 1960, Kregel 2018, Minsky 1986).

Since the 1980s debt "crisis" that the Periphery sustained, the IMF has become (which was not its original role)[34] the "financial and monetary agent" of the private banks in the Center to negotiate debts and new loans vis-à-vis the Periphery, which unshackled those entities (corporations) *individually* from assuming the responsibilities and risks of bad lending and low insurance predispositions when dealing with the Periphery. On the other hand, the Periphery's representation in the administrative echelons of the IMF, given its very low voting rights, has limited areas where it can induce certain discussions to push for a reform of the institution or a worldwide financial reform, despite very important economic transformations within the appearance of several countries like China and Brazil, for example.

"Do You Want the Social?"

It is in a note at the end of Chapter 10 that we find Pilkington contemplating the reasons of the persistence of why "people" or economists hold "marginalism" as a worthy academic enterprise, despite information to the contrary. He makes references to some sort of explanation, relating to a certain "fatal attraction" among men, their belief, with "certain types of theory" (Pilkington 2016: 319), and points to the fallacy of struggling to convince people otherwise:

> it becomes obvious that you really cannot convince people who adhere to these theories that they might be wrong. So, the goal becomes rather to allow a space within economics for those that think they might be and see who, in the aggregate, produces more functionally useful work. (Pilkington 2016: 319)

But this is the nitty-gritty of the matter of the dispute as to "who decides?" and which are the mechanisms available for that undertaking?, the construction of such a contested space is what is at issue, it is a political issue on which Pilkington is ambivalent, and which simultaneously acknowledges its existence by demonstrating the hegemonic struggle which "deconstruction" implies: a decision of some form, of some type of "coercion," exclusion/inclusion or *rule* with which to uphold the space in question. It is commendable Pilkington's use of the "justice model" example as a contesting

[33] See also Regantiquili (2016).

[34] Furtado (1989, 1981), Ugarteche (2014), Danby (2017), Helleiner (2014).

ruling behavior resolution procedure precisely because it reiterates the importance of undertaking a "judicious democratic decision."

Hence, the gross profit equation and its sources are how Pilkington displays the question, which be an undecided ethical-political problematic, since according to Pilkington we are not sure whether the issue is "political" or "partisan" (Pilkington 2016: 219). Having posed "profits as a moral dilemma" (Pilkington 2016: 211), the narrative transforms both Marx and the marginalists into a "subjective" "war of interpretations" story, steering clear from aiming for an "objective" description of their respective notions of profits or their existence. Pilkington does mention the unsustainable and contradictory version of the marginalists' story of the non-existence or, un-normal "presence" of profits in the literature, and/or the cuasi orthodontist Marxist "extraction" metaphor of surplus labor power by the capitalist. And yet "hidden," in a profound note number 13 at the end of Chapter 8, we are offered a brief theoretical description that questions the notion that income "is distributed in line with the marginal productivities of capital and labor" (Pilkington 2016: 218). The mention of the Cambridge Capital Controversies underlines precisely the narrative that should have been introduced into the text given its importance:

> They were trying to demolish any deterministic distribution theory and put forward the idea that the distribution of wealth in any given society is a moral, political, and historical issue. This opens up the space for us to have a real discussion as to whether any given income distribution is fair or not, and it prevents the zealots from telling us that left to itself the system will largely determine this distribution in some sort of efficient manner which, if we tamper with it, will result in chaos and disorder. For a decidedly politically partisan view of the question, although one that does succeed in getting to the heart of the issue in a way that economists are generally unable to do" (Pilkington 2016: 218)

Therefore:

> the competitive market economy no longer contains any necessary mechanisms pushing the various wage rates or the profit rate to any determinate level. Rather, history and custom, as well as politics, laws and struggle, will determine who gets what. It's a system of grab what you can. (Ackerman in Pilkington 2016: 219)

If "wage income and profit income are merely two types of income" (Pilkington 2016: 107), there is no *necessary* inverse relation between those incomes, which was precisely the reason for introducing the name of Kalecki in the story. Marx's account of the process may well be branded as "metaphysical" (Prebisch 1949a in 1993: 417), given its value/price dichotomy, but which should not be the excuse to dodge the mother of all issues: the asymmetries of power among and between agents (labor-capital; capitals vis-à-vis capitals), which evolve through the mechanisms by which

certain conditions of the productive and circulatory process are held: the possession in separation thereof. That possession in separation of certain conditions of the productive among and between diverse heterogenous agents becomes the foundation of what is called the "market," the links of the units or production among themselves and to labor power, are the consequence of a series of contingent rules and historical practices which, in turn, can explain the absence of a "representative rational agent." The antagonism between and among agents in their struggle to determine their "prices" generates, instead of a general "rational" mechanism, a multiple heterogeneous universe of agents with no guaranteed representative agent kingpin, required by "marginalism" and its "system" of equilibrium. On the other hand, the same antagonism, within the multiple and heterogeneous agents, breeds a variety of alternatives (a heterogeneous milieu) in which agents have to organize the production process, under no necessary logic or relation to the evolution of the "organic composition of capital" on which Marx's narrative depends. Not the consequence of "competition" nor its opposite "monopoly," but rather the outcome divergent profit margins and prices, each an outcome of the contingent configuration of asymmetric power relations among and between agents, "degree of monopoly" in Kalecki's term.

In occasions, Pilkington's narrative is not scrupulous enough to distinguish the degree to which the "distribution of income" implies a political partisan examination which supersedes "moral aspects," although he does assert that the "relationship between wages and the mark-up will determine to what extent income is distributed between wages and profits" (Pilkington 2016: 211).

But the use of the notion of the "mark-up" amplifies the conundrum, the implied antagonism, which is the mechanism we are trying to underline, but lies hidden with the reiteration that it is just a "conventional" contingency:

> Conventions are not immutable. They are subject to moral or ethical evaluation and the political change that may result from such an evaluation. When discussing profits (...) we can never lose sight of the moral dimension. Marx and the marginalists sought to hide this moral dimension behind a veil of what can only be described as metaphysics, in the most pejorative form in which that word can be used. The marginalist sought to justify the existence of profits as a sort of transitory phenomenon stimulating entrepreneurship that had nothing to do with power or underlying social relations. Marx, on the contrary, completely ignored that profits might stimulate entrepreneurial activity and instead insisted wholly on power relations. His implicit working premise was that only labor adds value to goods produced and those who come up with the idea and take the risk in putting it into action by investing and hiring workers are vile leeches. (Pilkington 2016: 212)

For Pilkington, both narratives are fictions to justify their divergent perspectives since each of them has an "element of truth" (Pilkington 2016:

212). Therefore, if entrepreneurship is encouraged by profits, they are also the consequence of power asymmetries organized by the social relations in question. Simultaneously, both aspects of the account are considered as pertinent, endorsing their own particular "*a priori* political position" (Pilkington 2016: 212). On the one hand, marginalists insist on the fairness and efficiency of the free market organization, while Marxists highlight the importance of abolishing profit so that a free society can arise. While Pilkington rejects the idea of generating a new "gospel". His own task is to propound these postures as merely subjective "moral judgements" and should not be surrendered since it reflects "our ability to be individuals and ultimately our freedom as individuals" (Pilkington 2016: 212). Hence, those who are trying to impose their brand of subjective truth in economics as the "robe objective science" (Pilkington 2016: 213), are merely zealots unlike "moral philosophers" that help us explore certain moral dilemmas.

Economists can sustain arguments about profits because they can establish where these "profits come from" and how "they work through the system. But there is really nothing that we can say with regard to the justness or unjustness of profits that a non-economist can have just as valid an opinion on" (Pilkington 2016: 213). Economists have no "more objective validity than a similar statement made by, for example, a trade unionist or an anarcho-capitalist" (ibid.). Although in principle Pilkington's posture seems impregnable, it can be argued that specific and "relative profit shares" of a certain set of class agents, can be "reduced," which entails an "ethical or moral political judgment" and yet "objective" in the sense that it is simply a question of adding and/or subtracting taxes, or differentiating levels of subsidies for the productive sectors/agents involved.

The standpoint, although defensible, reluctantly finds itself undoing its own evaluation: "economics" is a "non-conservative" discipline, implying that the "system can be changed":

> It is based on conventions, opinions and evaluations of what is good and bad in a given society at a given moment in time. It is not immutable or 'natural' and, above all, catastrophe will not occur if it is tampered with (...) It gives us the tools we need to make changes to the system to produce desired outcomes. It does not tell us that we should definitely make particular changes (...) mankind should have no more need for those silly pseudo-objective stories sought to buttress certain political tendencies while shutting down the debates surrounding them. Anyone who requires such stories to justify their political proclivities is likely not someone who has much to contribute to real, practical and moral political debate. (Pilkington 2016: 213-214)

However, certain specific policies, for example, distributional struggles require the use of clear and concise arguments, even if not explicit, these contain "subjective" or ethical-moral judgements: relative shares of profits

and/or salary levels, between and among agents and potential consequences cannot be washed away through a purely "objective" formula. The clear cut or un-stained distinction between the ethical and evaluative space and the objective formula are problematical for the same reasons that Pilkington underlines in much of his book: "social relations" are organized by conventional standards imposed by power asymmetries, the struggle for their transformations require politics and thus ethical-moral viewpoints, and hence, in the last instance, it implies "upsetting" to say the least, certain "liberties" or "individual freedoms." In other words, reconstructing politically the "individual-collective" divide. It is true that no discourse or discipline can offer a general objective conception of the "truth" which should be followed by all or else pay the consequences here or in heaven, but "deconstruction," and thus the disappearance of ultimate foundations, offered in Pilkington's book, implies or compels him to make a decision on matters which he *sometimes* rebels. On occasions, the sanctity of the idea of "individual freedom" on which he sustains certain arguments cannot be safeguarded without the liability of reverting to marginalism and its notions of the attributes of the agents in question.

On the other hand, the problem with the metaphor or analogy for an "objective" formula, and "switching" concepts of the hard sciences as a support to construct the conceptual realm (social) of the social sciences, finds an uncanny disruptive irony as we travel along Pilkington's book, since among one of the main arguments stressed to sustain the flawed character of marginalism, Pilkington points that the "material we deal with, economics" (Pilkington 2016: 283), is unlike modern sciences, and therefore "replicability," "causality" and calculability of experiments are a nonstarter.

Pilkington appropriately underlines that the "material" with which it deals, the phenomena, molecules, etc., cannot be generalized in the social realm. In other words, even if we concede and accept the hegemonic consensus that in the "hard sciences" the notion of "emergent properties" is pertinent, its incorporation as an explanation into the social realm begs thousands of questions, not only pertaining to the anthropomorphism which it engenders, but also notions of causality and determinism both implicit or explicit in the "hard sciences." But what must be underlined is the effort and decision to engage theoretically in this problem among others, which has become a kind of folklore by the publication of recent texts (King 2012, Hoover 2012, Backhouse and Boianovsky 2013, Chavance 2008, Hodgson 2004, Wade Hands 2012).

Although I am aware that the process described by Pilkington by which an individual football fan's behavior creates a specific "collective" response, is assuming the analogous outcome posed by Keynes's example of the negative effects when a "community" behaves in terms of the individual action by clearing his debts, the argument of the inadequacy of the metaphor

"emergent properties" becomes theoretically unmanageable given the heterogenous characteristics of the agents, on the one hand, and Pilkington's own appreciation that the "realm" of "social sciences" cannot be examined by the logic of the "hard sciences."

My genuine concern is not really this aspect of the debate, but rather that agents (individuals, humans, non-humans) have to be observed as "heterogeneous" entities, within an antagonistic power-institutional realm, which, again, cannot be posed as a consequence and product of a necessary "individual" decision-choice, as the "methodological individual" posture portrays it. In contrast, a contingent instituted power process, whose "origin" does not need to be known in advance, does not require the banishing of "individuals'" decision-choices, and/or insisting that the "social comes first."

The undetermined and contingent nature of the "social" realm (individual, agents, institutions)[35] is the theoretical aspect which is in dispute, and which in certain sections of the book becomes central. On the other hand, the empowering relations which individual or agents can generate, producing the "order" and "rules," whose origin in some quarters is argued as "spontaneous" (for example, the "Austrian" approach. See Hodgson 1994, 2007) as an "emergent property," tends to challenge the most important aspect of the argument: the antagonistic and contingent character of the social relations which would in turn demolish the assumed association and ties between the "elements" and "properties," on which the concept of "emergent properties" is built and on which "hard sciences" thrive.

As a concluding note, Pilkington's book should be an opportune publication, both brave and daring given the academic and political context. I tried to develop only specific theoretical aspects regarding the historical nature of agents, and the "economies," as well as the power asymmetries, a discourse which unwittingly was developed by Latin American Structuralism during the 1950s. Explicitly, I have radicalized certain themes which I believe follow from Pilkington's own argument and problematize certain apparently ambiguous theoretical and ethical standpoints; a new text would be needed to discuss his idea of the "subject" in Sartre, or his appreciation, of the discourse-reality distinction in his "schematism" model. Hopefully, his Shackle-Keynesian renovation, to think the investment process, was not lost by the "peripheral" reading and the critique carried out in this chapter.

From my personal prejudices, the decisive *par excellence* theme of the book was the examination of the "economic" realm and its agents, as a set of asymmetric power relations. That cleared the ground to underline the ethical-political obligation to undertake a critique of the actual situation of the discipline, which in turn, given the contingent characteristic as to the manner income is generated and distributed, economics cannot become the

[35] See De Vroey's notion of "trade technology" to think the problem of the organization of the "market," which is not solely related to "labor". De Vroey (2004a, 2004b)

theoretical fountain to "justify" the latter. Given that the origin of profits is, to say the least, distinct from the fable portrayed by "mainstream economics," and as Prebisch contends "its quantity and its variations are determined by the increment of money and production" then "it is impossible to know to what extent profit is justified or not, because we lack elements of judgement" (Prebisch 1948b in 1993: 359), from the economic point of view.

But if we accept the existence of a monetary "compulsory mechanism" (Marxists perhaps use "exploitation mechanism") through which businessmen, after some interlude or cycle retrieve a supplement over their original inputs, it becomes a political issue as to what extent this enhanced amount of purchasing *power* is "justified." "Economics" cannot decide this aspect if it is accepted that the notion of "efficiency" can only make sense in terms of "profit." If during the upswing businessmen seem to "reap where they did not sow" (independently whether they incorporated new technology or not), the brunt of the decline of prices during the downswing is on their shoulders. The ethical-political dilemma implicit in the schematic representation of the antagonistic contested space is clearer if we, for example, incorporate the idea that the agents in question are not "human individuals" but rather, cooperatives or certain other collective forms, which possess in separation certain of their reciprocal conditions of their existence, then equally the issue of distribution and price bounds and the residual or "profit" does not evaporate. Hence, we cannot evade the individual-collective divide (Mirowski 2019), we cannot negate the "other": a decision is to call forth a political engagement to discuss our forms of economic organization.

Chapter 6

All that is Solid does not necessarily Melt into Air

Introduction

Scholars looking for a new vision to rethink economics and its evolutionary story may find no better service than Colin Danby's text *The Known Economy: Romantics, Rationalists, and the Making of a World Scale*.[1] It personifies perhaps one of those rare, unique unprovincial theoretical moments, which disrupts "Western-centrism"[2] social science by acknowledging and describing the appearance of "alternative" discourses beyond its traditional language and geography. The angle from which I will undertake the assessment of Danby's critique of economics reports a theoretical lineage back to Latin America in the 1940s, which is generally designated in English or French academia as "Latin American Structuralism." The quotations are important given the internal theoretical variations.

My critique of Danby's account on the discourse of "modernization" while acknowledging his dazzling seductive and un-submissive tone when demonstrating the *unsustainable conceptual* conditions of its existence and the images generated thereof by the discursive formation in question (which is beyond reproach) wants to convey that the author's strategy of exposition may actually hinder, *unwittingly*, alternative modes of presentation, and thereby constrain radicalizing political strategies to transform the "cruelly unequal" (Danby 2017: 162) world we live in. However, although I imagine sharing significant aspects of the author's critique of the "European self-imagination" (Danby 2017: 98), my analysis aims to supersede certain of Danby's positions in various aspects of his story.

The critique of economics that emerged in Latin America in the second half of 1940s relates to a period that runs correlatively to Danby's own object of analysis in certain sections of his text. The discourse in question challenged Western-centric discourses as inadequate and impertinent to comprehend the "Periphery" as an economic formation (on the term see ahead), and therefore requiring the displacement and reconstruction of the Western-centric economics vocabulary, a process which ultimately culminated in questioning its validity within those very "spaces" (the "Center")[3] from which the discourse surfaced. In other words, Latin American Structuralism was simultaneously rebuffing the indefensible vehement ethnocentricity of the

[1] Danby, C. (2017) *The Known Economy: Romantics, Rationalists, and the Making of a World Scale*. Routledge.

[2] Anglo-Saxon and/or Eurocentric discourses.

[3] For an "outline," see first three chapters.

Western-centric economic discourse in question,[4] and *also* its problematical theoretical characteristics for examining the "developed" economic formations (the Center).

Therefore, Danby's "post-colonial" economics experience is an important substratum of his narrative and criticism, but what is certainly singularly distinct is the author's description of a unique chapter in the history of "economics" highlighting the rationalist/romanticist divide, a "combination of repulsion and attraction," a "bad- tempered collaboration" (Danby 2017: 9)[5] through which the discourse of modernization gets its life and force. Limitations of space will not permit the detailed descriptions whereby the rationalist/romanticist dichotomy allows a stylistic mode of analysis of a great range of authors and periods. The "*productive* nature of the rationalist/romantic split" (Danby 2017: 94) can be stabilized by thinking the dichotomy through Max Weber's category of the "ideal type" with which to understand the counterposed camps and on the other, the modernization discourse as a sort of an "iron cage" (Weber), which should certainly be questioned as an *unescapably* encompassing force. I share Danby's profound disbelief of the "fantastic" qualities of Western-centrism's "European self-imagination," a fairytale more akin to the likes of Borges or Lewis Carrol.

What follows this "Introduction" is a section ("Where Does Modernism Come From?"), describing the rise of those conceptual entities constructed by the "rationalist/romanticist" dichotomy of "modernism" in economics and the source of the "household/business" split which explains the income-productive carrousel: the theoretical accounting definitions as the mother of all debates during the 1940s. This is continued by "The diffusion of the 'European self-imagination': Western-centric Discourse and the Rise of Development Economics," which expounds the economics taught in the Western world and the initial efforts to transfer it to the Periphery of the world economy having previously underlined Danby's own *sui generis* presentation of the vision "auto-imagination" in question the IS-LM model. The partition ("'The White Man's Burden' Curse"), examines in detail the theoretical and practical consequences and difficulties encountered by succession of economists trained within the "statistical" and "Keynesian" revolution, but whose categories became an obstacle to understand the African plains under its gaze, a horizon dominated by peculiar social relations. The last section

[4] See also Connell (2007) and Lander (2000). Collaterally, the critique includes considering how certain theorists from the so-called "developed" economies faced having to deal with the specter of the "'The white-man's burden'curse," aspects of which haunted Seers's work (see further ahead), despite having traversed theoretical routes coinciding with the Latin American structuralists in the 1940s and 1950s.

[5] "Modernity is not *just* the doctrine that human societies tend to move from a solidaristic, locally rooted tradition to an individualistic, functionally divided modern society. It's *also* a stylized ritual combat between two variants of this story, the rationalist and the romantic. Ideas about economy have played key roles in the shared doctrine, and in the ritual combat between its two variants" (Danby 2017: 7).

(“Mobile Army of Metaphors: Post-Keynesianism and Latin American Structuralism”), is an effort to engage with and transform-radicalize Danby’s own account of “Post-Keynesian” economics by means of Latin American Structuralism’s insistence on converting the study of “power asymmetries” as the object of economics.

Notwithstanding the above, Danby insisted that the “modernist ideology” “is a poor way of sorting out the complex social world” (Danby 2017: 162), and, in fact, “hides” “much of the world from view” (Danby 2017: 162) (with which I have no “beef”). However, Latin American Structuralism, focuses on the existent power asymmetries as its economic object of economics. In other words, in contrast to Danby it *does* imply proposing a “political alternative” (Danby 2017: 162) which Danby seems to *explicitly* eschew, which to some perhaps is not unescapably negative.

As I hope to show further ahead, to transmute what apparently implies a counterposed theoretical difference, a general notion of power asymmetries of social relations is necessary, compelling a decision on alternative political strategies, in other words ethical foundations are important.[6]

From a Foucauldian perspective, there seems to be no univocal rule by which categories in certain discursive formations evolved or reconstructed, not univocally “episteme”[7] constraining the enunciative modality strategy, in other words, the enunciative modalities and the agents/subjects in question, are in a sense “polymorphous.” Danby recognizes the proliferation of discourses in the modernist conundrum narrative, through the presence of an “obligatory,” “power-knowledge complex” (Danby 2017: 8). Hence, discourses do not possess any necessary unity and/or consistency, a thesis inclusive even when “mainstream” economics is cited. However, the dichotomous and strategically “ideal types” counterparts (“rationalists” and “neo-romantics”) as distinct fields of research in academia storytelling jettison any sort of potential theoretical bridge or trans-disciplinarity, where economics and psychology dominate the former camp and “interpretative social sciences,” the latter. Both mainstream and “heterodox” (Danby 2017: 10) economics suffer from a cultural specificity blind spot syndrome. Therefore, an inescapable ethical obligation seems in order: an engagement and theoretical “disagreement” with “modernist” discourse in a quest for a “non-modernist” and “trans-disciplinary Economics.”

We intend to question specific conceptual assumptions implicit or explicitly in the “modernization” narrative by radicalizing Danby’s critique put forward in Marx’s classic phrase in the Communist Manifesto of 1848:

[6] “Ethical doctrines are vulnerable to ethical critiques. Might it be wiser to avoid the danger of ethical critique by disclaiming *any* ethical foundation” (Danby 2017: 26).

[7] Hence, in my interpretation, the *Archeology of Knowledge* (Foucault 1972) seems the more profound of Foucault’s books, to comprehend specific discursive formations, notwithstanding the encyclopedic nature of the *The Order of Things…* (1970).

"All that is solid melts into air",[8] which is simply the zenith of a hegemonic theoretical trend or style of the period (Berman 1988, Said 1978).

Through the "rationalist/romanticist" protracted counterparts or war of interpretations since the 19th century, Danby explains the proliferation of the "modernization" discourse.

Here the idea is to assess the possibility of alternative discourses whose logic of evolution may disrupt the dichotomy between rationalist/romanticist divide making the "modernization" narrative superfluous.

Danby retraces and appraises, within the field of "economics," the fantastic! (my term) modernization narrative, simultaneously termed "the modernist template" (Danby 2017: 162), "European self-imagination" (Danby 2017: 98), and "modernist ideology" (Danby 2017: 63).[9] The account can be said to have done one better on today's classic text: Marshall Berman's *All That Is Solid Melts Into Air* (1988), which by no means is a small feat. Amongst other objectives of the textbook, one of Danby's central strategies examines how Post-World War II mainstream "economics" constructed its "object of knowledge" (Danby 2017: 29), by instantaneously running theoretical rings around the dominant vocabulary by showing its elusive and unstable conceptual basis:

> What Marshall, Kuznets, Rao, and Gilbert share is the story that the 'economy' as an object of knowledge emerges via a modernist split of home from business, a split which in turn lets us divide the world into fully modern (where the split has happened) and non-modern (where it has not happened) (...) It's a folk theory about mentalities. It's an

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[8] According to Berman: "The innate dynamism of the modern economy, and of the culture that grows from this economy, annihilates everything that it creates -physical environments, social institutions, metaphysical ideas, artistic visions, moral values – in order to create more, to go endlessly creating the world anew. This drive draws all modern men and women into its orbit, and forces us all modern men and women into its orbit, and forces us all to grapple with the question of what is essential, what is meaningful, what is real in the maelstrom in which we move and live" (Berman 1982: 288).

[9] There is no space here to delve on the category of "ideology" but for what follows, I assume discourses as the means by which certain specific set of practices are materialized; another occasion is necessary to scrutinize the theoretical assumptions whereby we might be able to differentiate "ideological" from non-ideological discourses, without excluding the possibility of questioning the very worthwhileness of the distinction. Danby's note number 15 in the "Introduction" exhibit these worries: "I use terms like 'full modernity' or 'tradition' to refer to images in an ideology, not to the actual state of the world. It remains a discursive hurdle that 'modernity' is often used by adherents to mean *both* the specific assumptions described above *and* the entire thinkable social/historical horizon, a 'how we are' with no conceivable outside. I follow Latour (1993) and Fabian (1983) in denying the reality of 'modernity' as a historical stage and finding it counterproductive both as a category of social science and as an ethical guide" (Danby 2017: 12). My disagreement with Danby refers to the statement that we are dealing with an "ideological project" (Danby 2017: 98), since it requires presupposing the existence of a general discursive mechanism whereby to discriminate among discourses those "free" from the iron cage. Rather, discourses should be evaluated as forming part of the war of interpretations.

> assertion that there has occurred a profound shift in how some people think and act, and how they understand themselves, their surroundings (...) It's the people who have made this shift who are the subjects of economic science. (Danby 2017: 29)

Equally, it is an account that unravels the theoretical conditions of existence of the "love" and "money" divide, the "domesticity" and "work" couple or the "household/business" split implicitly, if not explicitly, linked to the so-called "statistical revolution."[10]

Contrary to what may be believed, L. Robbins's move towards expelling the "ethical" (Danby 2017: 28) from economics, the theoretical sentimentalizing of households essentially abounds in the literature. Danby's discussion about the concept of what constitutes "domesticity" unravels its hegemony and proliferation as an "ideological category" (Danby 2017: 28). The problematization of its theoretical consistency, "the folk theory" (Danby 2017: 29) described by Collier and Yanagisako, is actually the flip side of the "modernity" narrative critiqued by Danby:

> I question the emergence of economy and find that it has a required opposite in households. The two halves are distinguished not by the kind of work done, but by what is imagined to be in the minds of people doing work. The 'folk theory' that Collier and Yanagisako describe corresponds fairly closely to what I am calling (...) modernist ideology. (Danby 2017: 29)

Where Does Modernism Come From?

Danby's distaste of the "modernist" narrative is unhesitant:

> My beef with modernity is that it reduces this shaggy social world to individuals and nations. Modernists are fascinated with the *individual's* psychology, mentality, rationality. And culture. When they recognize larger institutions like firms and households, modernists prefer to theorize them as though they were individuals. Modernists rely on the *nation* to explain how individuals came to be the way they are. The nation embodies the individual's 'culture'. It guarantees and provides the rights that the individual needs to act freely. Its government is called on to provide whatever individuals cannot manage. (...) that humanity exists in discrete societies, (...) by a simple typology: 'traditional' societies are face-to-face, solidaristic, and have little functional differentiation; fully 'modern' societies are impersonal, bureaucratic, exhibit a sharp functional differentiation, and contain only little islands of face-to-face, personal ties in the form of the nuclear families. (...) all societies start as 'traditional' and then move at different speeds towards full modernity, driven either by internal dynamics or competition with other societies. They assume that more 'modern' people or societies enjoy some

[10] Morgan and Bach (2018), Moshe (2018).

> advantage over their 'traditional' counterparts, an advantage that more or less explains history. The theory of space and time functions for adherents as a *social ontology*, which is to say something you assume *before* you begin to study society. (Danby 2017: 8)

Hence, 'modernity' encompasses "two sub-discourses" (Danby 2017: 9), namely the rationalist and the romantic ones, and their differentiation, "boils down to whether the modernist narrative is told as triumph or tragedy":

> Rationalists are unimpressed with traditional knowledge and are anxious to escape obligations to kin and clan. In their view, full modernity frees us to pursue our disparate ambitions. Modernization theory is a good example. By contrast, romantics are deeply impressed with the psychological integration and deep understanding they attribute to 'tradition'. In the romantic view, traditional society was solidaristic and attuned to nature. Goods and services bore meanings that expressed the culture everyone shared. (...) intermediate family and church (...) [are] (...) mainly mechanisms by which individuals are taught the single shared culture. (Danby 2017: 9)

The second difference within the "two sub-discourses" relates to whether you mourn the dying of traditional society or not, reconstructing the demise of cultural "homogeneity" and its "alienating" effects.

As we can see further ahead, the economy/household distinction is theoretically articulated to the romantic/rationalist dichotomy, although Danby's questions equally relate to the process by which certain hegemonic discourses were constructed, culminating in a "powerful global apparatus" (Danby 2017: 15). Its dominant status required examining how "nations" were to be defined in accounting terms, through which theoretical experiments could then be enacted, for example in "Palestine and British colonies in Africa where the 'nation' of national income accounting did not yet exist" (Danby 2017: 15).

Genealogically the idea of romanticism is traced to back to Herder in Danby's narrative. The romanticist discourse explanation seemingly appears to be opposing the role and function of GDP data construction as the fountain head to represent the well-being or lack thereof by citizens. Given that national accounts do not represent *certain* types of "well-being" and were not elaborated to represent them, this aspect is exemplified by the exclusion of the female "unpaid" labor role in the household. The household/economy distinction was constructed by establishing distinct roles for the gender born "body."

For Danby the rationalist/romanticist modernist divide plays a decisive role in the intellectual history of the last two and a half centuries, although I must retort, *within the "Western-centric" intellectual gaze*. The rationalists/romantics disputes, or "war of interpretations," on notions of markets, trade, consumption, and commodification made "plausible," simultaneously, the "economic ideas" in "the modernist theory of history" (Danby 2017: 9).

The consequence of the "experience of modernity" that Danby described:

> confined to a quintessentially modernist debate, holding the national unit sacred, [was] committed to the idea that the world is divided into discrete social units that are closer to or farther from full modernity, and confirming itself to a stereotyped back-and-forth between (rationalist) modernizationists and (romantic) traditionalists. The back-and-forth works for everyone: rationalists economists get to create new measures; romantic traditionalists get to keep their permanent grievance against economists; politicians get to empathize with suffering citizens. These performances license both earnestness and cynicism about statistical representation. (Danby 2017: 7)

The rationalist/romanticist divide established the symbolical or theoretical conditions of existence for a series of practices in the contested realm of measuring and comparing the promotion of certain policies. The romantic thinkers would praise those critiques that relativize the importance of the category of "price" as a medium to evaluate "quality of life" within those partaking similar geography, language or "nation." The realm of commercial transactions of all species cannot be the basis of a consistent privileged unit of "value" to gauge "objects" or the cultural hierarchy; however, romantics deny and conflate (consciously), distinct notions of "value" when using the category, which results in non-ending debates as to which values "should" be primal, as well as the incumbent "costs" of reaching them.

The "national unit" is the sacred entity: a world divided by a diverse set of these groupings exhibit their distance from or "vicinity" to the modernist conundrum in two "spaces": on the one hand, an internal configuration within and between their own "subjects," and on the other, that which relates to other (dis)similar totalities.

The author insists that the produce, distribution, and services reflect activities in "varied institutional contexts" (Danby 2017: 8), which can include households, "kingship networks," small firms, large firms, governments. In turn, these imply "markets" with distinct characteristics, such as competitive, oligopolistic, monopolist, regulated, unregulated, "financial systems" and "legal systems" (Danby 2017: 8), which hinder or empower "different kinds of production," distribution, and consumption.

"Different kinds of institutions interpenetrate. (...) Institutions that undergird economic activity typically exclude some people in order to include others" (Danby 2017: 8) Hence, the "material world" is "messier and more variegated" (Danby 2017: 8), a phenomenon that Latin American Structuralism reconstructed with a more general category called "heterogeneity."

According to Danby the "national economy" and the "world economy" distinction implies an economic/non-economic differentiation as well as the bonding of economic parts into a representable national ensemble, which in

turn refers to a superior totality: a "world economy" in which the national compartments are to be found. Equally, the distinction between economy and household is theoretically articulated to the dichotomy between romantic and rationalist. The analysis of the hegemonic discourses that culminated in a "powerful global apparatus" (Danby 2017: 15), entailed examining how "nations" were to be defined in accounting terms.

Chronologically, the inception of the narrative regarding the divide between household and business advances the seemingly deceptive traditional figure of A. Smith in political economy. I said "deceptive" because Danby's reading contradicts most of the deliberations espoused by "neoliberalism" as its intellectual hero.[11]

In contrast to Smith, J. S. Mill "fences" off a specific area for "business," deconstructing Smith's "holistic" idea of a unified field of action for the agents in question. Political economy is reconstructed on a "narrower" and "easy" ground:

> a sentimental division between a loving and self-sacrificing household sphere, and a competitive and rational business sphere. For 20th Century modernists, this division became not just a background assumption, but an imperative: once you accepted household/business as an *essential* divide, as a condition of civilization, then you had to take care lest either compartment contaminate the other. (...) Exclusion of housework from contemporary measures of national output is often regarded as a scandal. (Danby 2017: 17, my emphasis)

Danby argues that the "exclusion of love is the *constitutive* taboo upon which a visible 'economy' has been brought into being" (Danby 2017: 17). The taboo in its Levy-Strauss's or Freudian genealogy, necessarily implies a ratification of a *universal* principle reinforced or materialized by means of distinct and *particular* cultural-historical configuration.

Although for A. Smith it was senseless to assume an autonomous, separate, "market psychology" to understand agents' behavior, Mill's critique in the context of the recent emergence of "modern political economy" (Danby 2017: 18), is met in turn with an audacious repellent diatribe by the "romantic" prose, and although too "disparate" to be "easily summarized" (Danby 2017: 18), rejects notions of "self-interest," which is perceived as cultures' foe or the collective will of the nation.

Mill's countered with the traditional move: first, he mocked Coleridge and company's incomprehension of Political Economy's object, giving way to theorize the object despite its aberrant quality: "With respect to those parts of human conduct of which wealth is not even the principal object, to these Political Economy does not pretend that its conclusions are applicable" (Danby 2017: 19).

Mill inaugurated the modernist discourse: "a society divided into separate compartments with distinct rationalities and distinct sciences" (Danby 2017:

[11] See also Tribe (2008).

20). Danby then assisted the story with the participation of Marshall as his most important "successor" (Danby 2017: 20). Marshall *historicized* the rise of the differentiation of the economy from distinct aspects of the social. The "primitive" and "modern" divide presupposes a teleological movement by which an "emancipation from custom" materializes in the quintessential mentality of modern "industrial life": family life becomes more "intense" and therefore the traditional "neighbors/family" congeries are relocated, in which "neighbors" and "strangers" now conform the "distant" positioning with respect to the secluded family. Modern configuration of society exhibits a double "virtuosity"; "thoughtful planning in businesses" and "loving self-sacrifice in families":

> Marshall presented a more sophisticated and confident response to the romantics. Instead of conceding loyalty and love, Marshall argued that the romantics were wrong about *both* the household and the business spheres. And rather than conceding that the business sphere was governed by the selfish desire for wealth, Marshall contended that the core principle of business was thoughtful and deliberate rationality. (Danby 2017: 22)

A social ontology guided by "separate" and diverse motivations presupposes the demise of traditional society, but Marshall vetoed as impertinent "romantics' ethical valuation" as exclusive to the household. The economic ensemble is the consequence of "motivated" acts, "feelings and sentiments," but whose distinct rationality were to be specialized: "love" was to rule in the household and business "deliberateness" within the firm. Hence, Marshall's opposition to women's remuneration exhibited a clear militant modernist project in which gender politics implied the salvaging of the "family" by disallowing women's incorporation into the educational structure precisely because they were as "capable" as their "male" counterparts of the household.

The advent of debates to "measure national income," which were initially a scholarly individual effort, gets supplanted by a clear state-run strategy by the 1930s. Early in the 20th century, an evenly divided field among scholars was perceived arguing in favor or against "inclusion" of "housework in national income" (Danby 2017: 22); "unpaid domestic work" estimates in some countries may well show a 20 to 25 percent augment in "total national output"; "disagreements" did not arise just from the apparent *technical* inconvenience of its monetary representation.[12] Danby highlighted the

[12] Mitchell's and Kuznets's "perspective" was sidelined by the new Keynesianism, to say the least. Rockoff has pointed out an interesting estimate on the "value" of unpaid household activities during the 1920s: *Income in the United States, Its Amount and Distribution, 1909–1919* was published in two volumes (National Bureau of Economic Research, Mitchell et al. 1921). Nearly 600 pages in all, it far surpassed anything that had come before in terms of the amount of data utilized and the care taken in thoroughly double-checking the component estimates. The study made a clever use of the circular flow. King was tasked with estimating national income from the payments-for-final-products side, and Knauth with estimating it from the pay-

theoretical episode among its participants, aiming to offer an explanation through which to comprehend why quite important scholars, like Kuznets, for example, repudiated the existence of a highly antagonistic theoretical field with regard to whether "cleaning, child bearing, child minding and the like" (Danby 2017: 23) should be considered as "economic activity."

Danby contended that these postures represent an "ideological, boundary-policing" mechanism:

> These economists were operating from the same ethical and social template as Marshall, in which the exclusion of the loving household made economy possible and conceptualizable. In different language, the taboo on housework was a *productive* taboo, because it licensed a particular vision of economy: large-scale, rational, and impersonal. Hence any suggestion of including housework in the measured economy had to be ruled out" (Danby 2017: 23).[13]

The economy is made up of agents whose aim is to make "a living" vis-à-vis those destined to make "profits," respectively "households" and businesses, and, therefore, it is "motivated by forces of quite different nature" and it has an "approach to income as an *appraisal* concept" (Danby 2017: 23, my emphasis). In other words, national accounting categories can be viewed as a representation of "appraisals" and "motives."[14] We must not forget the *contested* instability of the theoretical space of the measurable power complex space by those elaborating the national income categories.

Economists Kuznets and Mitchell, considered "institutionalists" in their days, were central in the statistical construction of the national income accounts and, therefore, can be easily conjoined to the German "historical school" and "romantic nationalism," and thus be made unwittingly into the heirs of Herder's relativism. In the U.S., they commanded the central data gathering machine without parallel, displaced-defeated (take your pick) by Keynes's hegemonizing alternative project, which jettisoned those potentially specific "historical" aspects to construct data in terms of income, placing his proposals in a better standing to "generalize" data gathering across the world.

ments-for-productive-services side. The two estimates turned out to be reassuringly close. The study identified and tried to deal with many of the problems inherent in estimating national income that continue to be sources of debate and criticism. For example, it noted that its estimate of the national income in 1918 of $61 billion did not include the monetary value of unpaid work in the household, which probably amounted to "several billions" (Rockoff, p. 155).

[13] Notwithstanding the consistent substantive narrative of the taboo in question, a construction of "women's household activities" requires, both in ethically and political terms, an alternative discursive strategy in which what seems decisive is what is considered "productive." The category might need deconstruction and/or reconstruction, which in turn implies examining the implicit or explicit power asymmetries in question not just of the household participants, but also between and among the heterogenous agents (all kinds of "businesses").

[14] But anticipating my doubts, not all agents are individuals or "people," and furthermore, those very same "appraisals" and "motives" are constructed by an ensemble of antagonistic discourses for the accomplishment of those objectives. In a power asymmetric context, heterogeneous agents are not necessarily "economic," nor human individuals as such.

Those "relativist" assumptions of the institutionalist school which aimed to highlight specific historical processes appeared as a deficit in the struggle for a general perspective on data gathering.

Hence, Kuznets's distinction between "business" and "household" in "highly developed" economies intended to "draw a line between economic activity and economic goods" and "active life," a distinction which would "not be easy to formulate" for both "primitive tribes" and "nations of North America and Western Europe" (Danby 2017: 24).[15]

For Kuznets, the "fundamental institutional fact" (Danby 2017: 25), and social diversity is presented as the question that "*underlays*" (Danby 2017: 25) the categories through which to measure the economies and endorse the "exclusion of housewives' services" because these activities are "motivated largely by non-economic considerations and form much more a part of life in general than of professional economic life proper" (Kuznets in Danby 2017: 25).

In Danby's reckoning, Kuznets's "economy" was an entity "outside" households, whose role was the provision of a "flow of good and useful things" (Danby 2017: 25). These objects of desire became the potential entities to be measured. The stream of flowing objects "desired" by households simultaneously explains Kuznets's understanding on the basis on which to exclude "criminal enterprises" as conforming an aspect of "national income" output: "their illegality was a societal judgement of the badness of their output. The excluded household, therefore, stood outside the 'economy' *in order* to provide the ethical standpoint from which to measure it" (Danby 2017: 25).

The calculating procedure and its ethical categorial underpinnings to measure national income were, according to Danby the source of Kuznets's "welfare approach." National income accounts can actually be quite diverse in their modes of "partitioning of a common, underlying" (Danby 2017: 32) entity which is being measured, and the "list of 'evils'" necessary "to make a living, could be potentially very long" (Danby 2017: 25) to estimate "net services" to the individuals and households. Quoting Beckerman, who worked under M. Gilbert, Danby underlines the practical consequences:

> the whole economy would be included inside the productive sector. Even the household sector would be included, since it would be simply one more industry converting inputs of food, clothing, shelter, and recreation and so on, into another intermediate product, labor, which would be inputs into the other productive sector. (Beckerman in Danby 2017: 32)[16]

[15] However, as we will see ahead, the same could be said of the alternative Keynesian victorious discourse on data reconstruction and its assumptions.

[16] See note 21 in Danby (2017: 32).

Therefore, the theoretical existence of the "household" was substantiated by differentiating an inside/outside divide, a specific cultural distinction (love/money) that enabled a measurable flow. Kuznets's measures of estimates of individuals' "welfare," by means of the monetary unit, could be translated as comparing so-called "valuable" objects of production and simultaneously as the preferred elected "valuable" in terms of a pre-established ordinal scale. The "valuable" intervenes as a monetary and/or "ethical" entity. Hence, a "tight focus on benefits to households" (Danby 2017: 26) limits clarity in the estimations, since countless activities may be helpful to increase livelihood ("welfare").

However, despite Kuznets's frustration, the household/business divide remained "foundational." It persisted under the veil privileged by so-called "economic" qualities, which excluded the "love" side of the equation, a move which was accomplished through the reintroduction of the figure of Marshall via the work of Robbins. Danby's reservations about Robbins economics as a mechanism to calculate "scarce means to alternative uses," derives from the absence of an "obvious criterion for excluding household production" (Danby 2017: 26) since "laundering, cooking, cleaning, and child-minding consume scarce time and energy" (Danby 2017: 26).

When Rao's work is being discussed, "ideology is powerful" (Danby 2017: 26), housewives' "services" ("non-economic motives") should be excluded from the national income ledger and given the characteristics in question could not be conceptualized in terms of choices between "scarce resources" *a la* Robbins; but significantly Rao did not dismiss the probability of considering those "household" chores in a forthcoming society. In the time being, American economist Milton Gilbert enrolled under Keynes's model of national income accounting, reinstating worldwide the modernist household/economy divide:

> The precise difference between economic and non-economic activity is not that one is useful and the other is not, but that the effort spent in non-economic activity is not available for an alternative use in economic sphere. (...) knitting a garment, (...) helping with the children (...) Neither of these activities should be included in the national product. (...) one or the other does not affect the supply of scarce factors of production. (Gilbert and Kravis in Danby 2017: 27)[17]

The household/business couple split, "lets us divide the world into fully modern (where the split has happened) and non-modern (where it has not happened)" (Danby 2017: 29), which enables the notion of a "heteronormative theory of gender" (ibid.) without specifying the features of the agents and practices which apparently must be institutionalized. Hence, the household is posited as the unitary agent, necessarily run by individual human beings,

[17] "The household emerges as a space of leisure, of non-work. Rao's and Gilbert's descriptions of what goes on in the household sphere (...) are romanticized" (Danby 2017: 27).

but it must be advanced, that kids need not be "raised" necessarily in the traditional "household" unit, it could be an "extended" space where distinct "families," like the school, leave their offspring to be cared for.

But most significantly, Danby perseveres with the idea that modernity does not relate necessarily to the presence of "urban" or industrial images. The ideological narrative, its folk theory, is about "mentalities":

> It is an assertion that there has occurred a profound shift in how some people think and act, and in how they understand themselves, their surroundings, and their opportunities. It is the people who have made this shift who are the subjects of economic science. (Danby 2017: 29)

The Diffusion of the "European Self-Imagination": Western-centric Discourse and the Rise of Development Economics

The evolution of the history of economics within the Western-centric vision often describes as an interregnum period that which relates to studying "backwards" areas, which became dominant after World War II: it underscores the existence of "economies" whose features seem singularly out of place within economics' vocabulary. But Danby tends to displace the centrality of the latter narrative by examining theoretical alternatives through the "instituted" "romanticist/rationalist" dichotomy, as the guiding thread to understand the discursive evolution on "economics." Escorting the reader to the period underscoring the unique manner by which those theoretical obstacles are encountered through the Western-centric imaginary, it is important to mention that Latin American Structuralism engendered its own species of economics during the 1950s. With hindsight, it is easy to display the conceptual transformations which bore fruit the so-called "economics for development" worldwide during the period, as well as its demise with the return of "neoclassical" thought during the 1980s, but generally the rise and revolt of alternative discourses is mostly forgotten including Latin America's own brand of "Marxism," a principal theoretical adversary of the region's "Latin American Structuralism."

Before depicting the theoretical transition, the "European self-imagination" needs to be described. Therefore, a "messy social world" (Danby 2017: 50) was reorganized theoretically into "households" and "businesses," entities which "interacted" with each other through their respective "flows":

> the monetary flows (...) must equal each other over any span of time: all payments to the business sector produce incomes for somebody, which are spent on output (...) it is customary to specify *two* ways of looking at the same flow of output from businesses to households: as *expenditure* on output, from the household point of view, and as *production* of output, from the business point of view. (Danby 2017: 50)

Hitherto, national income estimations had been a sporadic and private endeavor. Income, expenditure, and output were targeted individually. The period that Danby described refers to alternative efforts to "measure all three" (Danby 2017: 51) and "check them against each other" (Danby 2017: 51).[18] What counted "as national income/output" (Danby 2017: 51) entailed excluding "domestic production," "goods/services," childcaring and cooking meals, activities inside the household. Danby underlines the theoretical discussions arising from those perspectives that lost out to Keynes's disciples, concentrating on "capital goods" and "government."

The first formal "appearance" (Danby 2017: 69) of the "framework" $Y = C + I + G$ was in Keynes's 1940 text *How to Pay for War,* which had previously undergone a sustained theoretical dispute, to say the least, vis-à-vis the then denominated "Treasury View."[19] The identities $Y = C + I + G$ and $Y = C + S + T$[20] describe the consumption/productive carrousel: the circular nature of the flows from households as payments for business firms' goods, and businesses generating income through their payments to households.

The inclusion of the "government purchases" and its potential role in generating inflation were central to Keynes's whole view of the economy, in which "Keynesian national income accounting shines an especially bright light on what governments do -it brightly illuminates government's taxing and spending and borrowing" (Danby 2017: 54), a legacy asserted and enforced by the IMF's discourse. Hence the impulse by "*international* bureaucrats" to standardize the Keynesian "national income accounting" to scrutinize "national governments."

Keynes had "imagined a new thing, a national economy linked by money flows and guided by financial markets" (Danby 2017: 56), which was turned into the IS-LM "workhorse" contraption, losing, perhaps, the most interesting theoretical aspects of what Keynes "really meant" (Danby 2017: 56), although "easily-shared representation" which in turn the Newlyn-Phillips machine sought to upstage (as we will examine ahead).

Danby illustrates the IS-LM into an "image": "the body visible," through a "hydraulic computer" (Danby 2017: 56). In 1949, William Phillips and Walter Newlyn developed a "physical model" of a "two-equation" model of a national economy , which should serve for *teaching* purposes, aiming to enlighten the circular nature of income and expenses flows, through a pipe connection with a series of valves which would open or close depending on the water level of the tanks, which in turn would automatically reach some sort of equilibrium level, generating a signal for a control mechanism to action initiating the opening once again of the chambers of the tanks permitting the flow of water.[21]

[18] Bach (2018).

[19] See also Chapters 5 and 7 in Peden (2000 and 2004).

[20] Income (Y); Consumption (C); Investment (I), Government (G); Saving (S); Taxes (T).

[21] "Gresham's Law" is represented by Fisher's (1916, pp. 105, 116, 119, 128) as water-gold-silver

Danby's description of the Newlyn-Phillips machine explains *all* but one of the impulsion processes, and just to get an idea of the picture exhibited as the "body" by the water flows lets quote Danby:

> The top flow (...) represents the flow of production of a good. The tank represents the total unsold stock of that good in the shops. The lower flow represents consumer purchases of that good. A rise in unsold stocks causes mechanisms to reduce the market price; if stocks fall merchants raise market price. (Danby 2017: 59)

Hence the fantastic "European self-imagination," and its general approach to measure and compare economies can also be represented by a mechanical contraption. The quote underlines one of the criticisms which can be generalized to all the "mechanical" representations still implicit if not explicit in economics, where an antagonistic contingent event like "price making" is exemplified as a simple "pressure" point between counteracting "physical forces," or alternatively as analogies/metaphors to a body or a machine[22] ignoring the fact that those "machines" require a "first push" so to speak, to initiate the flow to transfer the liquid upwards and in a circular fashion during its downward phase. In other words, it entails a mechanism "outside" of the machine, a "switch," or someone to initiate its dynamic process.

According to Danby the "model" is a:

> physical analogue of a social institution. It is a model of how a competitive market in a single good might function, with a single market price equilibrating two flows. The idea for a 'micro' (just one market) model of this kind was not original to Newlyn and Phillips. Their originality was in recognizing that you could construct a 'macro' (national economy) model incorporating multiple adjustment mechanisms of this kind within a larger circular flow (...) Other relations hypothesized in Keynesian theory, such as the idea that consumption spending was a stable function of income, could be turned into physical connections between flows. You could set the machine up to simulate a particular set of theoretical assumptions plus policy variables, turn it on, and let it 'solve' the system: when it did this it was essentially computing multiple simultaneous differential equations. (Danby 2017: 59)

Danby's daring compactness narrative of the working "machine," as a veritable example for what "Keynesian" ("hydraulic") economics post-World

reservoirs, connected by pipes as a hydraulic automatic process, although *driven* by forces whereby bad money pushes good money out, its "propulsion" mechanisms aimed to show the accumulation and drain of "gold" reserves which induced changes towards an alternative coinage.

[22] Paradoxically, the metaphor itself, of the machine or the body displays a visibility previously inexistent: "multitude of social processes and restless circulatory that we call the economy and recognize only via its abstractions can, with this model, be viewed in its entirety" (Stevenson in Danby 2017: 64).

War II stood for (De Vroey and Hoover 2004), corresponds to the amazing Western-centrism "self-imagination" (Danby 2017: 98). Rather, what should be assessed more critically is the discursive tone of note number 15: since notwithstanding Danby's affirmation, the so-called "dramatic" "process of *finding* equilibrium"[23] (Danby 2017: 65) might be impertinent if one proceeds from the apparently smooth "mechanical" movements presumed by the "physical model" (Danby 2017: 65), or the machine, but Danby's "institutional" presumptions have surreptitiously intervened, since we owe to "women/men" those "dramatic" antagonistic actions of "price setting."

We will return to certain negative theoretical consequences when the analogy "body/machine" is presented, although in the last instance, Danby actually acknowledges that the ploy in question is more akin to a Borgesian "fantastic" story.

Keynes's theoretical adversaries had in the new "Keynesian" categories:

> "a machine in which *all* markets self-equilibrate: the labor market, the market in loanable funds, and all markets in goods and services." (Danby 2017, pp. 59-60), and therefore, contrary to Keynes, government could not fix the appropriate levels in the "national economy": "internally self-regulated differently" (Danby 2017: 60).

But the "Newlyn-Phillips machine was a way of demonstrating those different internal connections and working out how a national economy would behave under Keynesian assumptions" (Danby 2017: 60), or any other for that matter, if delimited with alternative theoretical assumptions (Danby 2017: 65). Notwithstanding Danby's subtleties, in his majestically didactic exhibition of the Keynesian "workhorse" (IS-LM),[24] he echoes a disengagement from the discourse in question. If you "listen" closely to Danby's analogy to a "machine," "law governed," it does not *necessarily* imply to its author any theoretical recognition of the *consistency* of the categories and "Keynesian" perspective: if students "learn classical mechanics" (Danby 2017: 61) through their lab bench "experiments" (Danby 2017: 61) they may be able to "see what the equations describe" (Danby 2017: 61), which amounts to saying that familiarity with "Newtonian mechanics" facilitates understanding the "Newlyn-Phillips" machine as a "law governed," but most significantly, they acquire the skill to comprehend the role of *"habits of analogy"* (Danby 2017: 61, my emphasis), without which the representation of a "national economy" becomes irresolvable. In other words, Danby's narrative is surfing from one analogy or metaphor to another: it does *not* state, nor corroborate the theoretical consistency of the "workhorse," it is an

[23] "The physical model dramatizes the process of *finding* equilibrium: the plumbing apparatus will not instantly find the equilibrium price but will only gradually converge on it, with some overshooting and undershooting and general sloshing about" (Danby 2017: 65).

[24] For an alternative and equally wonderful critique see Pilkington (2016) and previous chapter for my assessment.

account, among others,[25] devoted to the task of assembling the very "being" of the theoretical object.[26]

Anticipating my critique, certain aspects of Danby's theoretical strategy, involve dodging (I hope unwittingly) the construction of an *alternative* political-pedagogical strategy, since notions of the body-machine tend to generate anthropomorphisms, which hide those contingent antagonistic moments ("economic processes"), a stance fortunately superseded in other parts of Danby's book:

> Haunting the physics is just a little of the old Newtonian alchemy, because the machine is also readable as a living thing, a struggling organism with its own will. Numerous observers have commented on its body-like qualities. Phillips dyed the water red for visibility, and the machine resembles a stylized model of a body's circulatory system. More interestingly it did not behave like a simple machine (say, a kitchen appliance) in which changes to controls cause direct changes in the machine's behavior. Rather, *you* changed a control and then watched a series of adjustments, over 5 or 10 minutes, as the machine gurgled its way toward a new equilibrium. Such adjustments are called *homeostatic* in biology: an example is your body's ability to regulate its internal temperature. The circular flow is a powerful metaphor. It is founded, let us remember, on the sentimental household/business split (...) mapping the interaction between these two spheres and signifying their complementarity. It is elaborated by Keynes to highlight capital investment, government, and the financial sector, producing a circulatory anatomy useful for certain policy questions. But it had an *aesthetic* extension, producing visual confirmation of the integrity of the nation, its beating heart and coursing arteries and veins. The national economy became a body with organs. (Danby 20018: 61, first and last emphasis are mine)

The machine is a "physical analogue of the IS-LM model" (Danby 2017: 56), since it can change its movements and/or speed, but Danby's metaphorical depiction is a simile of his own unbearable role, as a "ventriloquist": a narrator bringing to life an important theoretical episode in economics and policies. Danby's "distance" from the problematic discussed opens the ground for an undecidable commitment on his part whether to corroborate, or dispute the narrative, which depicts an astonishing story in which the "social" and the contingent antagonistic moments of any necessary exchange or productive

[25] It is difficult, after Mirowski's (1989) book, and certainly *not least* Naredo's (1987), to find a better reflection on these issues.

[26] Danby's "confession," if I may be permitted the term, speaks not just volumes -again pardon the expression-, but "tons"!!!: "Part of the experience of teaching macroeconomics is struggling with this metaphorical thicket: students are primed to think of the nation as an organism possessing its own spirit and will, thriving and competing with like organisms" (Danby 2017: 65, note number 18).

moment have been abolished. And as such, we have come more than "full circle" as Danby would retort. The moment of a decision is left, so to speak to the "reader": on the one hand, if the decision taken implies changing and repudiating the direction of the narrative (power/knowledge), it is the "romantic" ingredient of the narrative which has gained the discursive upper hand, but on the other, taking passively for granted what comes to pass as the calling of a *necessary* economic evolution, prefiguring a rational mechanism, then it is the "rationalist" antinomy which has gobbled our "being" bringing politics to an end. The route and mechanisms by which to deconstruct the power asymmetries, whose "logic" generates the plural ensemble of the heterogenous agents,[27] can be questioned by an alternative political discourse.

Keynes displays *ambiguous* romantic characteristics, but the discursive "instability" in question might actually obey, simultaneously, the cultural elements of the age, *and* the unfounded notion of the *unity* of the "modernist" discourse:

> the romantic elements are always discursively contained, allowed to run briefly and then reined back. But regardless of his underlying views, it is remarkable how much of the positive romantic doctrine of economy shows up in Keynes's mid-1930s writings: economy is a matter of communication and shared knowledge; national economy can create national sympathy and solidarity; the nation is the appropriate unit for shared knowledge and common culture; these virtues exist at a wider level than individual freedom and initiative and in certain balances outweigh them. As with the contemporaneous development of a Jewish economy in Palestine (...) romantic ideas breathed life and purpose into mathematical abstractions. In these moments, romanticism was not the antagonist of rationalism, but its complement. (Danby 2017: 62)

The Keynesian national income accounting "conquer[ed] the world,"[28] the "choice" meant highlighting the household/business split, a product of "modernist ideology" (Danby 2017: 63), a view of the productive process into "two categories" distinguished by "the state of mind of the people doing that activity" (Danby 2017: 63), monetary spending, households and businessmen/

[27] I disagree about the feasibility of a general consistent, non-circular, representation of the being/knowledge, or power/knowledge dichotomy, hence my rejection of closing the sentence with "a distinct heterogeneity of being."

[28] "In a nutshell, a set of international organizations emerged after WWII that needed standardized nation-level concepts. Richard Stone and Milton Gilbert had forged a common Anglo-American position during the war on National income accounting: There was no serious competitor. No alternative system of national accounting had such well-placed advocates or was as well poised to claim global applicability" (Danby 2017: 68). No space to describe the above process, the rise, and the predominance of the "triumvirate": Lord Keynes, Milton Gilbert and Richard Stone, whose work reconstructed the statistics traditions, which were extended throughout the world by the international organizations after World War II. See Chapter 4 of Danby (2017).

government, which alternatively can be differentiated by regrouping into one single flow "of disparate 'real' goods and services" (Danby 2017: 63) with money as the underlying "unit," or neglecting the "real" products and services, and "treat money as important *in itself,* as a financial asset with its own properties" (Danby 2017: 63).

Therefore, in Danby's description, the economy can be perceived as a "discrete body with linked organs" (Danby 2017: 74), implying a government and organs with certain tasks, a central bank, a business sector, which borrows from financial entities, and "savers," who buy "domestic financial assets," in other words, simultaneously, we can assume a closed model, separate "from the rest of world," and the procedure by which economies are articulated. Those entities enclosed can then be considered without reconsidering or rethinking the "*national*" institutions. (Danby 2017: 74).[29]

Thus, this narrative assumes the existence of flows between different borders, although in certain economic formations, the absence of a formal set of assets framework, is contradicted by IMF's *International Financial Statistics*:

> two assumptions are not only built into globally-applied national income accounting, but actively advertised and promoted by the published data: that every country is in the same way integral and complete with similar institutions, and that the relations between national economies are relatively thin and inconsequential. (Danby 2017: 74)

These

> "accounts *begin* by imagining a self-sustaining, self-contained national economy, and add the foreign flows later. The Newlyn-Phillips machine is a *wonderful* representation of this, built (as a teaching tool) to operate on its own, a visual and mechanical metaphor for the self-containedness, the institutional self-sufficiency, of this national economy (Danby 2017: 74, second emphasis is mine).

Therefore, national accounting data misses the "dependent" character between and among different economic formations. No "data concept" (Danby 2017: 75) can symbolize this "relation." Danby questions the *appearance* of national units as discrete entities, relinquished through the concept of an:

> abstract global space of goods and financial flows without power or politics, without alliances, antagonisms, or spheres of influence. And it appears as though it had the same internal institutional structure. (Danby 2017: 75)

[29] Foreigners purchase domestic financial assets, which can be considered as gross foreign savings, but residents buy foreign financial assets, which means gross foreign investment. Balance of payments X – M = Net exports; then = NFI, which means Net Foreign Investment, which can be included in the classical workhorse: $C + I + G + (X - M) = Y = C + S + T + NFI$.

The "accounts hold up a mirror in which" certain countries see "themselves as discrete" (Danby 2017: 75) nations, which internally, via the distribution policies, help reconstruct their "national" coherence and "self-knowledge" and/or "integrity," aspects which are reflected in the "data" "embra[cing] the interconnection of its fractious parts" (Danby 2017: 75).

The international economy can be portrayed by several interconnected, self-sufficient "Newlyn-Phillips" machines:

> But to model and *international* economy, two mirror-image machines were built, linked so that the exports of one were the imports of the other, [with] an interstitial space connecting them, a 'space of flows.' That near-empty space through which Meade strides is the space of the international economy, the space the IMF would later invest with its own spirit. (Danby 2017: 75)[30]

Therefore, the model facilitates a bilateral or multilateral surveillance, through which monetary or counter-cyclical policies can be scrutinized. But the "linking" together of two machines allows resurrecting a theoretical "lack" mentioned previously, when examining the single case: Who or what initiates the machine so that it pumps the water up and down. This problematical aspect is mentioned in note number 22, on page 81, where the precise characteristic nature of the "creature" (Danby 2017: 81) is problematized, by distinguishing the linkage as being "mechanical" "instead of hydraulic" (Danby 2017: 81).

Before touching Danby's "mathematical" exposition of the interlocking "machines," the story exhibits (surreptitiously) a wonderful *double* parable of Foucault's "representation" of "The Meninas" painting: in Danby's book the photograph (Danby 2017: 76) exhibits the "gaze" of the "students" on the interlocking machines (world economy), followed by an invitation to the reader to "gaze" on those staring at the students in the photograph, who "are being trained to see the *world* economy" (Danby 2017: 77).

The mathematical model was drawn from Jacques Polak (who became a long-standing IMF employee). It starts from a simple single-country, *self-contained* "autonomous factors" (Danby 2017: 77) described in three chapters, through which the national income and imports are determined, and then proceeding to a "world" model in "less than a page" (Danby 2017: 77). By plugging together both imports and exports equations of the countries into a "single world equation,"[31] it exhibits "imports as a function of exports" (Danby 2017: 77):

[30] See photo in Danby (2017: 76). See chapter on Furtado and his encounter with Mead in 1957.

[31] The nation equation $m_i = \rho_i \sigma'_i x_{w\,+}\, a_i$; m_i and x_w are national imports and world exports, respectively. The world equation is $\Sigma_i m_i = x_w \Sigma\rho_i \sigma'_i + \Sigma_i a_i$: "the expression $\Sigma\rho_i \sigma'_i$ stands for the weighted average of p_i´s of the individual countries, with the σ'_i's (the 'marginal propensities of the world to import from country $_i$') as the weights." (Polak 1954: 54), while a_i stands "for the total effect upon imports of all exogenous variables" (Polak 1954: 54). The symbol "ρ", refers to an intensity, a "fraction" indicating a "change in the volume of exports and the ensuing change in the volume of imports" which Polak names as the "international reflection ratio," to evaluate how certain countries revert back "impulses" received "from the rest of the world." (Polak 1954: 42).

> Each national economy is treated like any other *in its internal structure.* Each one interacts not with other particular economies, but with a composite entity called 'world trade' (Polak 1954: 16). The 'autonomous factors' that affect a country's income and import behavior are *internal to that country;* no re-specification of the isolated national model is made once the country is imagined as part of the world. This is a world without international power, and without any institution aside from 'world trade' that spans multiple nations – no transmigrants of families resident in multiple countries, no transnational unions or transnational businesses or border-crossing financial systems. (Danby 2017: 77)

Danby underlines the "illegibility" of power and institutional specificities generated by the Keynesian categories and national income accounting.[32]

The "world model" posed by Polak:

> simply reduces the national model to a single equation for each country and sums them all up to produce a world equation. This is how the world is made! Each national economy is treated like any other national economy *in its internal structure*. Each one interacts not with other specific economies, but with a composite entity 'world trade' (Polak 1954: 16) (...). There is no category – no conceptual category, no measurable thing – in which the structure of international financial system might appear. In this way, the *international* market is conceptualized as a space of pure flows, a space without people or institutions, who are all tucked away inside national economies (...) markets, as efficient, anonymous, smoothly adjusting mechanisms to facilitate flow of goods and services and exchanges of assets. (Danby 2017: 77)

The world's cartography was defined by a series of "discontinuous empires" in which "power," or international power, was at plain sight, "post-WWII international organizations, dividing the world's population into national cells and spotlighting their condition by means of statistics-gathering" (Danby 2017: 78).

The diffusion of Western-centric governmentality discourse (government and governed) is transmuted into a three-layer governmentality: "households and firms," "self-governing units" ("people-goods"), and national governments, which are responsible for the latter's surveillance, which are in turn "gazed" upon by a top layer of "international organizations" (Danby 2017: 78).

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[32] Danby writes: "close relations between any particular export sector and particular foreign buyers are illegible. There is no category –no conceptual category, no measurable thing– in which the structure of the international financial system might appear. (...) the *International* market is conceptualized as a space of pure flows, a space without people or institutions, all of whom are tucked away inside national economies. This effect is strengthened by the way *orthodox economists* like to model markets, as efficient anonymous smoothly adjusting mechanisms to facilitate flows of goods and services and exchanges of assets" (Danby 2017: 77, my emphasis).

The description above is perhaps one of the best illustrations of the problematical nature of those aspects needing replacement by the evolution of "developmentalism" in economics and hence Prebisch's insistence on the power asymmetry of the "Center-Periphery" worldwide or within regions.

At the pinnacle of Danby's argument, the narrative suddenly pivots, aiming to exhibit[33] the description of the difficulties uncovered in the British colonies, under the "rule" of the newly nascent national accounting categories. In the "Center" countries, even before the dust of the theoretical debates on the accounting categories was dissipated, Keynes was sponsoring their "transference" to colonial territories, with which to generate reliable data despite the presence of peculiar social relations where "production" and "distribution" are apparently associated by "non-market" mechanisms.

The author's description of the epoch is admirable. For example, the representation of an "economy in Palestine" in the 1940s (*A Jewish Economy in Palestine*), had to theoretically supersede social relations absolutely out of "touch" with contrasting and violently contested notions of "sovereignty" with regard as to which "community" (Arabs/Jewish-Zionism) should "govern" the geographic perimeters of the economy in question; these characteristics mystified evermore the "gaze" and discourses from which the construction and estimate of the data and income account were to be undertaken.

If "national income accounting" refers to some pre-existing geographical perimeter or to the existence of a "nation," the existence of a heterogenous horizon, both in economic and cultural terms, turns problematic the "translation" of the Western-centric economic categories into a whole set of apparently ontologically incongruent social relations. But it seems that the overlapping of Jewish and non-Jewish economies can be made to evolve simultaneously within the same territory, especially if it is *imprinted* by the then ruling British Empire until 1948, by means of a League of Nation command through the "Jewish Agency for Palestine":

> its economists separated, the most finely grained possible, the available data on production, consumption, investment, and so forth into Jewish and non-Jewish parts – down to markets in individual vegetables" (...) not merely trying to persuade foreign supporters and the British government of the plausibility of a Jewish economy (and ultimately Jewish state) in Palestine. It was also persuading Jewish settlers in Palestine to act as though they were part of an integrated and distinct 'economy,' (...) The Jewish Agency's work is a token of a shift in the 1930s in many parts of the world toward the idea that the national economy is a coherent whole whose behavior might be influenced by government policy. (Danby 2017: 34-35)

[33] "Discovering Economies in British Africa," Chapter 5.

The Keynesian crusade is conveyed to represent the "national economy" by which a discourse on a Palestine economy emerges exhibiting those very theoretical categories embedded in the romantic/rationalist genealogical trap. Zionist thought and policy aim initially to recover the loss of a unified entity called "agrarian ethos" as the founding source for its colonization crusade in Palestine:

> close interpenetration of romantic and rationalist conceptions of economy, melding a romantic 'agrarian ethos' that emphasized the spiritual benefits of farming with a rationalist 'ethos of rapid development' which held that Jewish economic activity was distinctly modern, efficient, rational, and dynamic. (Danby 2017: 35)

Ruppin's complaints to the effect that for "two thousand years we had had practically no contact with agricultural work," entails a "way back to it spiritually" (Ruppin in Danby 2017: 36), resembling those theoretical tropes that critiqued "urban life," the "wholesomeness of rural life" (Danby 2017: 36) "sweat" "soil and spirit," while instantaneously, dodging the necessary self-closeness of the romantic discourse by examining "investment," "growth" and "efficiency":

> repeatedly contrasted the rationality and dynamism of the Jewish farming with the capital-poor traditional farming of the Arab *fellahin*. The combination of romantic and rationalist modernization is one of the most noticeable features of this literature. (Danby 2017: 36)

It is through the figure of Horowitz, director in 1935 of the economic department of the Jewish Agency, that we encounter the scorn directed to the above assumptions of the "agrarian ethos" (Danby 2017: 37), and yet embellishing, in a "precociously Keynesian" way, the "potential dynamism of a multi-sector Jewish economy" (Danby 2017: 37).

Horowitz's notion of an integrated Jewish economy within the Palestinian' territory implied a dynamic multi-sector, with goods and labor shifting between the distinct "economies" in question. But given "that markets were unreliable engines of national integration," Horowitz and Hinden drew on alternative vocabularies to make the idea of a "distinct and unified Jewish economy plausible" (Danby 2017: 38), among them, imagining non-Jewish Palestinians as "feudal," "precapitalist," or alternatively pointing to the "European" heritage of the Jewish settlers, "bearers of Western civilization" (Danby 2017: 39), and not inconsistently exhibiting a disastrous ambiguity when "comparing" Jews and non-Jews, or refusing the operation in question. Therefore, difference "inheres in their bodies" with respect to "Western civilization" (Danby 2017: 40).

According to Danby Gaathon's analytical role in developing a "double-entry" model producing a "detailed input-output matrix for a two-community economy (Arab and Jewish)" (Danby 2017: 41), reveals links to the "structuralist" position and to Dudley Seers.

Unfortunately, the narrative in process by Danby is recovered only within the contours of the Notes section of the book, unwittingly, and unfortunately, disguising the theoretical evolution of the idea that national economic accounting and "development" economics became the "flip" side of each other: in two distinct senses a) the examination of the power asymmetries among and between agents (individuals, firms, corporations, "nations," and hence "Center-Periphery" antagonisms -Prebisch), and b), the obligation and hence the risk to undertake a theoretical transformation by displacing Keynesian and macroeconomic discourse ("European self-imagination").

In other words, during the 1950s, the narrative on "developmentalism" with its two lanes cleft imagination (a) and (b) above, denied the pertinence of the Western-centric economic categories, granting certain features of those economies "in development" (Periphery) as "sui generis," and simultaneously, maintaining a partisan approach which anticipated teleologically the coming into being of a "development" process. In Latin America, the dominance and "authority" of Western-centric discourses were circumvented by the unconventional move of transforming Western-centric categories for all "economies," through which an alternative "other" can be constructed via the transformation of the power asymmetries (R. Prebisch, C. Furtado, D. Seers[34], for example). Accordingly, it is during this period when a distinctive theoretical line was drawn between an "economics"[35] for "integrated" industrial economies (Center) and those areas which apparently required alternative categories (Center-Periphery), an absence which was to be "patched up" and reconstructed by a sort of "second best" theoretical formulations (Guillen 2018, Alacevich and Boianosvky 2018). Currently, economics has blurred the legacy of the period's war of interpretations and hence P. Mirowski's admirable struggle to reconstruct the "history of economic" thought.

The theoretical limitations of the hegemonic economic discourses, the war of interpretations in course during the following years of the 1940s and 1950s, took on a singular stratagem early in the 1980s with the so-called "fall" of development economics: overnight, all the attributes of the social relations of production and distribution ensemble of the "industrial" nations had magically resurfaced all over the world.

In the 1940s, South African economist Herbert Frankel, also pre-eminent in pioneering experiments on national income accounting straightforwardly negated the Keynesian categories as pertinent to the African continent, "too culturally different from Europeans to make the accounts meaningful" (Danby 2017: 42). Equally, the "economic theory" and Palestine encounter that Danby described also considers, simultaneously, the romantic undercurrents

[34] Indeed, geographical provenance and language are not necessarily a limitation to ethical and theoretical alternative transformations.

[35] Seers would use the term "special case."

engendering the discourse. In other words, the "racism" of the "white man's burden" curse[36] (see further ahead). Significantly, Danby's description of the "caged" discourses amplifies significantly the "East and West" ongoing pigeonholing, and effectively naming "names" for the period of economic theory discussed, topped with experts' portrayal of the Palestinian economy. In this case, Horowitz's "unconscious" Anti-Semitism (Danby 2017: 47),[37] as well as the absentee voices of "non-Jewish Palestinians" (Danby 2017: 45) in the narrative "speaks" volumes (pun intended!): the Anglo-American Committee's[38] "documents" and testimonies, are presented as necessarily superior to the "weak" and "ill-prepared" Arab Case:

> "Over the course of the mid-20th Century, economic rationality became the dominant way of differentiating the deserving from the undeserving, the haves from the have-nots. Poverty became *evidence* of some more fundamental lack, a lack to be addressed with discipline and dispossession (Ravela, 2013)". (Danby 2017: 45)

Having acknowledged Keynes as the intellectual hero of the "national income categories" design, economic theorizing made no sense without data to face and guide the "body of the nation," but mainly the economy had to be assimilated to a "machine"; but paradoxically, Danby's discursive tone, during the wonderful description of the *Keynesian* "work-horse" contraption (IS-LM) seen above, although an excellent academic "didactic" strategy, may actually wither away, in gargantuan fashion, those very conditions and social forces which could make the economic ensemble more understandable, silenced by mainstream economics: power asymmetries.

The extraction of "exact" knowledge and enhancing power within those territories governed by the British Empire entails the *sine qua non* idea of "surveillance" or "rational administration," shouldered on Kipling's "white man's burden" curse.

This sort of "bilateral surveillance" will be generalized into a "multilateral surveillance" with the "global" diffusion of the national accounts categories whereby a "technocrat" could simultaneously "gaze" various countries and "national policies" (Danby 2017: 50).

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[36] Said (1978).

[37] "Nonetheless, the views he [Crossman] ascribes to Horowitz are consistent with Hashomer Hatzair's ideology of a Jewish rebirth through land and labor, and more broadly with the "agrarian ethos" described earlier (...): the idea that there was something false and artificial about a diasporic existence that could be fixed by returning to the *land* of Palestine. It was the nationalism that resonated with Crossman, redeeming Horowitz and his colleague ('their native country') as opposed to the American Zionists, which had aroused Crossman's anti-Semitism" (Danby 2017: 44).

[38] "Rather than being a group of experts, the Anglo-American Committee was a sort of jury, made up of six middling-prominent men from each country, none of whom had prior knowledge of the region" (Danby 2017: 43)

'The White Man's Burden' Curse [39]

Summoned by "technical" accounting conundrums, theoretical disputes were obligatory to describe and generate alternative vocabularies to explain the specificities of those peripheral "nations." Danby's bewildering moves to send the crucial conceptual specificities and "war of interpretations" to the "Notes" section (Danby 2017: 99-102), should incense many readers. Western-centric discourses' differentiation between love and money had to be submitted to the test in Africa's "stormy" social relations while instantaneously courting with the statistic indicators by modernizing the contours. Alternative strategic discursive possibilities can be observed if Frankel's and Seers's legacy is observed, despite their displacement: "Frankel's romantic view that Africans had a fundamentally different notion of economy from Europeans" (Danby 2017: 83), drove him out of economics, and "Seers's preference for country-specific analyses sensitive to linkages to the outside world fell on deaf ears" because they denied an "easily replicable statistical practice" (Danby 2017: 83).

The African overview displays the national income accounts "estimations" through a series of authors. Africa's "explorations" by the Western-centric auto-imagination intended to comply with the trinity knowledge-surveillance-surveying a "promise" requiring construction. Scarcely "anthropologists" prevailed when Keynes's earnest researchers arrived at the African plains.

The process in no way means "exactness": "crude" estimates can be produced and checked with each other if we have a slice of the picture, by finding out via the residual, the absent element. If A + B = C, then, ignorance of B, is established by simply pirouetting one of the elements across the equal sign B = C - A.

The war on statistical dearth was a struggle assumed by all parties involved in the "metropole," hence "national income accountants became expert scavengers" (Danby 2017: 84), Danby quotes an early appreciation of African accounts:

> A national accounts calculation cannot be started in a vacuum, although many statisticians must have felt that this was what they were doing! But once a minimum amount of information is available, more will probably be gained by fitting it together crudely to provide some over-all picture of the economy than by improvements in the coverage of any particular sector. (Lury in Danby 2017: 84)

Early incursions in the field of income estimations by skilled technicians are exhibited as heroic figures (Doblin in Danby 2017: 85). Retrospectively, aspects of the war of interpretations of "collecting data" gets confused:

> An example is unpaid household labor. Given an adequate system of household surveys, estimating unpaid household labor is easy – or

[39] Kipling's expression represents a truly power discursive regime par excellence *a la Foucault*.

> at least, no harder than estimating many things currently included in standard measures of national output. But because it is excluded, uniform standards are lacking, and there is little official support for household surveys. After seven decades it becomes easy to attribute the exclusion to the poor quality of available data, but the causality is the other way around. (Danby 2017: 85)

Africa's savannahs were open for the taking by "junior economists, some barely out of their twenties" (Danby 2017: 86). However vigilant the "curator" of its "representations," it is their will to power that hegemonizes conversation given the power asymmetries.[40]

In retrospect, those names that Danby mentioned, by their "pioneering" efforts to build Africa's colonial accounts, Phyllis Deane[41] and especially Dudley Seers (who worked at ECLAC in Santiago de Chile) were noteworthy in the following years, especially if gazed from a Latin American perspective, but for distinct reasons: Deane's historical account of the process of the "industrial revolution" and the description of the evolution of economic ideas, unwittingly became a powerful theoretical ally to Latin American Structuralist's development ideas, while Seers may have undergone a "soul-searching" process, "renewing" himself into quite a different theoretical kettle of fish, among the Western-centric economic community, by his parallel "pioneering" work *within* "Latin American Structuralism,"[42] despite allegedly "recanting," according to Toye (2017: 283).

Deane's appointment in 1941 for the task in Africa is considered a profound act of lucidity, like Meade's and Stone's appointment in the second part of the 1940s. Robinson's words to that effect are: "At that time there were hardly any statistics for a colonial territory (...) We were lucky enough to recruit Phyllis Deane to do the work" (Robinson in Danby 2017: 86).

Deane's own story corroborates the account (no pun intended!):

> I was invited to go down to join the National Institute of Economic and Social Research (...) asked to do a project inspired by Keynes and by Richard Stone and James Meade, who had just set up a system of social accounts for the UK national income accounting. And what they

[40] It is ironic that models of truth *a la Davidson*, in which the "translation" of stories between diverse languages or discourses, actually originates with making references to "anthropological" discourses in *colonial* Africa! The advent of "truth" will be the product of a reconstruction and translation between discourses and their respective vocabularies, but in which the notion of "charity" between the "speakers" is mandatory; by "charity" is meant a situation in which the conversation with "the other" implies a mutual endeavor to tell each other the truth (!) or trusting the "nature" of the "storyteller" as "truth." By the way, it is worthwhile to mention that one can agree with Davidson's procedural examination to understand the process by which the discursive transformations and translations attain "truth" and *dominance*, without assuming the pertinence of the notion of "charity" and instead recover Nietzsche's images of the sparks of the clashing swords. (Malpas 1992).

[41] Deane (1989, 1965).

[42] For example, Seers and Dudley (1962, 1963).

> wanted to do was to apply it – what *Keynes* wanted to happen – was to apply this particular system to a completely different economy than the UK and they thought they would apply it to colonial territories (...) to work out a national income for Northern Rhodesia and Jamaica. (Danby 2017: 86)

Deane's arrival to a hitherto "distant economy" and the *theoretical* controversies in process show an uncanny similar historical parallel with the rise of Latin American Structuralism. In contrast to Deane's previous efforts in Jamaica, the generation of national accounts required an active presence in the territory to understand "the soil and economic structure of Central African peoples" (Danby 2017: 87). Such aspects pertain to production and exchanges unsoiled by "monetized" categories which obstructed accessibility to "measurement."

Given the power asymmetries, the perspective charted the vocabulary heard in the Palestinian studies in a consistent manner. "African studies" start with the "racial division":

> Data for income, output, and expenditure were split between European, Asiatic (traders of South Asian descent), and African sectors. Deane made no division of that kind for Jamaica. This reflected British colonial policy that aimed to keep, or make, Africans rural and tribal (Mamdani in Danby 2017: 87)

Deane was encircled by a young group of "British social anthropologists" in Northern Rhodesia whose "knowledge" was a prerequisite to "administer her surveys" (Danby 2017: 87). Her monograph in 1953 *Colonial Social Accounting* can be read as a description, a "record" (Danby 2017: 87) of the dialog between the economists and anthropologists. The elaborate and extensive "survey methodology" of rural Central Africa, exhibits Deane's theoretical nightmare in the "estimate" process of agricultural output:

> when the range of crops planted was large and harvests were continuous. She also acknowledged the difficulties of valuation, in cases in which there was only a very limited local market that could be consulted for the prices by which quantities of production could be turned into money-measured output. But she regarded these as *data-gathering challenges rather than conceptual conundrums*. Much more troubling to Deane were the problems of drawing the production boundary between economy and household and sorting out households from each other. Households were fluid: 'the sleeping household, the eating household, the income household, the producing household, and the spending household all represented different combinations and permutations within one wide family group'. (Deane in Danby 2017: 87, my emphasis)

My emphasis above aims to portray the ambiguous and undecided nature of the theoretical conundrum in Deane, the riddle can only be solved

theoretically by radicalizing the *notion of the agent*, it required reconstructing the then dominant vocabulary of economics.[43]

Danby's notion of the agency clearly requires the modern "household/family" and economy split reiterated in his narrative, which needs reconstruction. This move implies that "households" and thus the "agents" are the product of a more diverse set of social relations: relations and alliances within and between households[44] and those who labor, and trade/exchange under specific conditions: a heterogenous set of conditions of existence between and among heterogenous agents. In conceptual terms, we are dealing with a simultaneous double movement: agents have no complete or guaranteed closure of those contingent conditions that constitute them, which in turn are equally heterogenous and transient.

Theoretically, Deane had to consider that the agents in question, namely "families," occupied the "social horizon," by which one must understand an entity with a recognition mechanism and decision-making capacity. Although human individuals, they are organized through a specific mouthpiece, as "representatives" of an instituted "collective" decision, in which "kinship" relations, or "polygamous groups and young bachelors with ties to multiple households" (Danby 2017: 88), turn out to be the "real" agents.

Limited understanding on Deane's part, as recorded by Danby is associated with the difficulty to incorporate the social tissue or social relations then dominant into some form of statistical order, it relates to the heterogeneity of the agents and their social relations to one another, a conceptual hurdle which can be overcome by displacing the economy/family split privileged by Danby's argument as well as the notion of "opposed mentalities" (Danby 2017: 88) (see further ahead).

The story insists on the inadequacy of Deane's perspective to understand and "measure" output. Measuring the "national economy" encounters the "intimate" and the "commercial" (Danby 2017: 100) divide, unsettling the clear-cut household/commerce boundaries. But a "logical solution" (Danby 2017: 88) seems in order, in which women's participation is "integrally" included in output/income circle, independently of the "activities" traced (i.e. "prostitution") as the source of the monetary income, or alternatively taking into account "villages" as "large households" (Danby 2017: 88). The exhibition of the unsolved and contradictory categories in the narrative in question examines the "non-marketed" familial or communal "output" bringing to light the curse and nightmare of Deane's perspective. To cope "theoretically" with the distinction above, related to the approach to examine those heterogenous characteristics of the agents and their conditions of existence, Deane advanced the term "transitional" to explain the nature of

[43] See note 34 in Danby (2017: 102).

[44] Hence recovering Danby's own questioning of the notion of a "universal" notion of Kinship. (Danby 2007).

the economies in question, presupposing a teleological process culminating in a fully-fledged market society, and hence, the importance, more than ever, of data recollection and policy construction.

Deane's difficulties are the product of replicating Kuznets's conceptual "boundaries"; "output," "products retained by producers":

> The conceptual boundary she uses is essentially the same as that used by Kuznets (1941), who includes in his definition of output 'products retained by producers for their own consumption (especially important farmers)', while excluding domestic services (Kuznets 1941: 9.) (...) Another way to put it is that the 'line of difference between economic and non-economic areas existing in real life' (Kuznets 1933: 209) is no longer a parameter to be respected ('shifting') but something to be *shifted* via colonial modernization. (Danby 2017: 100)

Parallel to the theoretical enigma in process that Danby described, between those activities, which can be considered either economic or non-economic, or "non-marketed," the narrative seemingly changes course, since Deane is also "*deeply*" (Danby 2017: 88) aware that the distinction above is linked to "what was in the mind of the person doing it" (Danby 2017: 88). Consequently, Deane's theoretical demon reappeared within the "modernist ideology" version as a folk theory: the money/love split (economy/household).

In other words, Danby perseveres with his standpoint to explain Deane's theoretical nightmare: these are questions related to the form whereby family needs and "satisfactions" were resolved. These contravene a money-trade driven "*motivation,*" given the series of cultural hegemonic practices whose explanations by the locals (in return for "such-and-such a good or service") implied several social obligations.

Deane's accounts, according to Danby apparently corroborate the "economy/family" split *repudiated* by those gazed upon (surveyed) in Africa. Therefore, the "economy/family" divide is transformed into an enigma of "imputing motivation" (Danby 2017: 89), inducing the next theoretical step by introducing the "modernist" narrative, the romantic presumptions. Nevertheless, we must not lose sight of the opportunity to build certain boundaries in the categories, with the aim to materialize certain productive or income "measurements," in which the category of "motivation"[45] might be theoretically superfluous. Danby's account of Deane submits conceivable (logical) alternatives: what is integrally included or not within the house/business divide may receive a wild free card by which to flee from the modernist (iron cage), but then the category of the agent and its conditions

[45] According to Deane, "we have still to establish firm conclusions of the *mainsprings of economic* behavior in African rural communities, on the *motives* for work or leisure" (Deane, emphases added in Danby 2017: 89) (...) [M]oney does not have the same *power of inspiration* in the semi-subsistence economy. Social and psychological considerations frequently outweigh the money factor as a determinant of activity ... *they often do not even try to make profits from either production or exchange* (Deane, emphases added in Danby 2017: 89).

of existence needs to be posed differently and in more general terms, the agents may be polymorphous: distinct forces and diverse objectives: not only does the notion of the "household" organization become problematic, whether "nuclear" or otherwise, but also the agents' horizon's configuration (productive/not marketed), can be described independently of their *own* "explanations." Notwithstanding the Keynesian watershed distinction money/love, productive/non- productive and the exclusion of women as a non-paid activity, we can always "impute" a certain value to their activities.

Even if we concede Danby's idea, which implies Deane as anticipating "the romantic view" that Herbert Frankel propounded,[46] the "modernist" entrapment is not compulsory. Deane's perspective (according to Danby) allows her to question the "motivations" assumed in *developed economies* which might not wholly differ in "degree" with some of the "ideological" choices perceived in "primitive cultures." But Danby is not prepared to indict the theoretical wavering as "Eurocentric", in the last instance:

> she was not ready to simply align primitive and advanced communities, because she found Africans inscrutable: 'the accounting problem is not simply that of the acute scarcity of quantitative data ... It is also a qualitative problem that brings into question the fundamental validity for primitive communities of the social accounting concept itself (Deane 1953: 115). Without a thorough knowledge of the motives for economic behavior in the semi-subsistence economy and of the fundamental theories of value which *colour the African outlook* on economic matters it would not be profitable to do more than recognize the qualification and accept the limitation on the possible economic analysis. Certainly, our knowledge of the *African economic outlook* is not sufficient to permit a more precise analysis. (Deane in Danby 2017: 89, my emphasis)

The "three-way conversation" (Danby 2017: 89) (Deane, anthropologists, and Africans) that Danby highlighted to depict Deane's surveys and procedure, culminates with the "postcolonial point" (Danby 2017: 90), which "presume[s] [a] self-clarity of the European economy," but which, in turn, is "*itself* a fabrication" (Danby 2017: 90). As Danby portrayed, Deane

[46] Frankel, reviewing Deane's 1948 study, praised her scruple: 'No author could be at greater pains to warn the reader of a tentative conclusion, or a suspected margin of error.' But he wondered 'why it should ever have been expected that a technique which suits a highly developed and large-scale national economy such as the United Kingdom should, even if it could, be applied to small so-called 'national' units which are only just entering the world economy through the development of one or two specialized products in them. The whole procedure looks like an experiment to discover whether the system of accounting applicable to General Motors can throw light on the operations of a whole petrol station run by a man whose main livelihood is obtained with the assistance of his wife and children from an agricultural allotment ... Are these aggregates a practical tool, or are they the symbols of fashionable concepts transferred from very highly developed economic regions to hide our ignorance of economically backward ones?' (Frankel in Danby 2017: 100).

appears as a "tormented bricoleur" rather than the "skilled bricoleur" (Danby 2017: 90). However, her theoretical nightmare in Africa can, in hindsight, be pointed as leaving an indelible sign on her future work on economics and in the deceptive "universality" of the categories, which can be made to occupy theoretical positions, perhaps unwittingly, close to the Latin American Structuralism camp.

Danby's "logical solution" (Danby 2017: 90) could have solved the problematical nature of the rural communities, portrayed as undefined boundaries between households and businesses; this option meant treating these communities as "large households" (Danby 2017: 90) lacking "market" activities and hence "excluding rural villages entirely from the measured economy" (Danby 2017: 90), a posture that Deane rebuffed, as well as the alternative: businesses "with no household" (Danby 2017: 90).

On the other hand, Prest and Stewart tackled theoretically the polymorphous nature of kinships, the social relations, and the obligatory rules, by converting each "household" into an "individual", positing every good and service, received by the individual, "no matter how close" (Danby 2017: 90). Hence, Nigeria was all business, with the wife's "bride-prices" setting the values as "services to husbands." This posture received a "unanimous condemnation" (Danby 2017: 91): "farcical" in Frankel's or Gilbert's words, since it refuses to accept certain activities within the household as "economic activity" (Danby 2017: 91), but "far-fetched" (Danby 2017: 91) according to Peacokand Dossers, or "notorious" (Lury in Danby 2017: 91). But the critiques, especially those made by Gilbert and Deane, obey alternative theoretical logics. Again, the essence of the dispute seems to be mislaid, since the "problem" is related to the way we define the agent or units in question.

In what sense can we establish a monetary relation, or establish a "mercantile" or "commodity transaction," between and within agents or "production units-activities?" We have already observed that certain unpaid activities "internal" to the household can be "measured" in monetary terms. The critique conveys certain reasons through which these activities were excluded,[47] since, as Danby brilliantly illustrates, there are no univocal "technical" accountability obstacles for their exclusion.

Other evaluations assumed that "subsistence output" should be included in "total production" (Danby 2017: 91). "Activities" such as output and services can be valued:

> On Prest's argument the reason why all intra-household activity (including services) should be treated as a part of the gross domestic product of countries like Nigeria is that the relationship between the

[47] In Deane's words: "The strange reasoning whereby they embrace such activities as childrearing, child minding, and the like in total production, and measure a year's supply of non-agricultural, non-trading activities of women in terms of the bride payments in a given year" (Deane in Danby 2017: 91).

> members of the family is closer to a commercial one in Nigeria than that to which we are accustomed in the West. This led him to the dubious but amusing exercise of estimating services by reference to the number of wives and the average bride price. It is doubtful whether this would have made sense to a Nigerian in 1950; it certainly does not make sense today. (Okigbo in Danby 2017: 91)

On the other hand, Eke wrote that Prest:

> included the output of practically all agents or factors whose activities are remotely economic (...) illegal, imputed value to intra-household services, and placed monetary value on child bearing. This excursion by Prest could easily be dismissed as ludicrous, but (...) Prest seems to have gone into all this needless trouble not just because of his stated reason (the family life is more commercialized in Nigeria than in the West which of course is an illusion) but also because of his stated objective. He wanted to measure the level of economic welfare. He seemed to have failed to realize that no matter how widely he may define his output the omission of services and products which affect people's welfare is unavoidable. (Eke in Danby 2017: 91-92)

It is no wonder that Danby defines these episodes on "accounting" and economic categories in Africa as a "fascinating moment" (Danby 2017: 92), an era inscribed in a procrustean bed of redefinitions, of theoretical transformations, mirrored in the respective will to power and war of interpretations between and within Center-Periphery development policies debates, during which pos-colonial economics emerged.

But articulated by the economy/family split modernist problematic and however eccentric, the vocabulary is "irreplaceable":

> There was nothing *logically* wrong with what Prest and Stewart did. Nor was their use of bride-prices to estimate wives' services, however outlandish it can be made to appear, outside the practice of *bricolage* described (...) opportunistically using any available data to estimate different sectors of an economy. What made it 'strange,' 'farcical,' 'ludicrous,' 'dubious,' and 'notorious' was its *taboo-breaking* challenge to the foundational assumptions about the economy as Marshall had framed it. Marshall's argument, (...) was that a modern distinction between love and commerce allowed each to flourish in its own sphere. Thus, the modern society was superior in both respects to the traditional society in which these things were mingled. Okigbo's and Eze's rebukes to Prest and Stewart can be set alongside V.K. R. V. Rao's defense of the separateness and non-economic nature of Indian households (...). All these authors recognized the implicit insult of regarding the domestic arrangements of their native countries as commercial and calculating, as falling short of fully self-sacrificing love. In the overarching modernist context, the only way to rescue love

> was to adopt the same conventions British national income accounts followed. But what is interesting is not just that Rao, Okigbo, and Eke disputed the idea that their native countries were deficient in love, but that British and American economists *led the charge*. An economist like Milton Gilbert probably had little interest in Nigerian family life as such, but he had a large stake in the universal applicability of standardized national accounting. Okigbo and Eke spoke his language and supported his project; Prest and Stewart challenged it. (Danby 2017: 92, last but one emphasis are mine)

Two aspects of the quotation are significant, especially if we are to recover Foucault's notion of power/knowledge couple: "taboo-breaking" strategies imply a struggle, a search for an alternative strategic hegemonic move, in which Prest and Stewart's demise was profound: they were "silenced." But in contrast to Danby's appreciation of the strategy, Gilbert was obliged to spearhead "the charge," given what was at *stake* in the struggle, and "own up" the posture. The antagonistic "noises" of the war of interpretation in question are actually deafening: the hegemonic struggle implies precisely, simultaneously a "taboo-breaking" drive (victor or vanquished can only be "instituted" in hindsight) and a "charge," and as the case above proves, and it was not just *chance* that those institutionally powerful swayed the day.

Equally displaced and silenced was Herbert Frankel's critique and appreciation of the "data" collection-research and accounting vocabulary, but for alternative reasons, his liberalism and anti-government perspective placed his work, independently of the categories, outside of what was then becoming "development" mainstream discourse. To top it all, his opposition to Apartheid in South Africa made his academic and political life difficult, and in 1946 he left for Oxford: "He believed that Africans were fundamentally culturally different from Europeans, and on that basis, he became a leading critic of extension of national income accounting to Africa" (Danby 2017: 92). His "cultural relativism" (Danby 2017: 102), hence his "praise" (Danby 2017: 102) for Gaathon, the Palestine analysis, and for positive evaluations of so-called "economic dualism," resembled the "welfare approach" to national income, which is reminiscent of Kuznets:

> National income accounting's project should be to measure the sum of *good* things flowing to people (...) he had to address ethical questions of what counted as *good* (...) what Africans considered good was fundamentally different from what Europeans considered good. (Danby 2017: 93, my emphasis)

Danby discloses these debates in a consistent manner to incorporate them into an "underlying romanticism":

> Just as German or British romantics described the ideal village economy as a rich, society-making process whose purpose was as

> much to maintain dense social interactions as to produce goods: they hunted not because they wanted meat but because they liked hunting; they made large work parties for farming not because it was efficient but because it was social. (Danby 2017: 93)

Simultaneously, Danby's story aims to dissipate the idea that he is imposing on Frankel's work a sort of "future anterior" (L. Althusser) effect: reading his earlier "romanticist" presumptions by way of later theoretical resonances, which is "difficult to demonstrate" but "an equally plausible source might simply be the common colonialist's view that natives are incorrigibly native" (Danby 2017: 102).

Frankel's "disinterest" for the "Keynesian" and Deane's "theoretical armature" (Danby 2017: 93), and/or "modernization" projects is not necessarily, as Danby contends, lack of "sympathy", rather it is "liberalism" that underlines Frankel's opposition to "development economics":

> in terms of the logical choices presented by the Marshallian definition, which are to regard African economies as falling entirely under the sphere of business, or somewhere in between, we could slot Frankel into the 'all household' camp, Prest and Stewart into the 'all business' camp, and Deane somewhere in between. This explains the difference between Frankel's polite skepticism toward Deane and open hostility toward Prest and Stewart. Frankel also dissented from Deane's view that non-marketed African activity was poised to enter the market and should. He was hostile to 'development' Economics as it gathered steam after WWII, assailing 'dualist' models like that of Arthur Lewis that foresaw the rapid modernization of the 'traditional' sector of a nation's economy. (Danby 2017: 93)

Frankel's works in 1952 and 1953 "eloquently" (Danby 2017: 101) developed this theme:

> The activity and the income are inseparable and are both embedded together in the customs and ways of thought which mould the social life of the community as a whole. To endeavour to assess and compare 'welfare' merely by comparing national income aggregates for societies with different laws, rules conventions, hopes, and ideal is as fallacious as to try to assess the pleasure which a pair of players derive from playing dominoes, and then compare it with that yielded to another pair engaged in playing chess, by comparing the points scored by the players in each game. (Frankel in Danby 2017: 93)

But Frankel's arguments were seldom taken seriously, according to Danby. Subsequently, later, academia recovered these ideas in the "formalist-substantivist" debates in the 1960s within the anthropologist camp. Dalton "approvingly quoted" both Deane's "doubts about applying economic analysis to African settings" (Danby 2017: 94) and Frankel's work:

> If the categories we use to describe output disposition are to be analytically revealing they must be derived from the special characteristics of indigenous African economies. We follow therefore the African emphasis on the social obligations to pay and to give, and the rights to receive goods and services, built into social situations. (Dalton in Danby 2017: 94)

But Danby seems to be turning the table on Dalton, questioning his *apparent* premise in which "mainstream academic Economics" seemingly appears as the appropriate "self-understanding" (Danby 2017: 94) of the West and aberrantly out of line in Africa. The interpretation of Dalton's appreciations, in Danby's terms, follows the "romantic trope of the cultural unit," which "must be understood on its own terms" and not through an "alien and universal logic" (Danby 2017: 94).[48]

My beef on this occasion refers to the suggestion that turns the "*productive* nature of the rationalist/romantic split" (Danby 2017: 94) as the necessary *origin* of the "substantive" categories developed in Dalton's narrative: although "Western-centric" discourses are not the adequate substratum to explain the African plains (with which I coincide), Dalton's argument should be analyzed and evaluated on its own terms, without conferring a "free pass to ignore culture" (Danby 2017: 94) when examining Dalton's specific categories and arguments.[49]

According to Danby the theoretical conceptual problems above, seem to be the product of the potential "comparability" of distinct economic formations *and* the "data-gathering estimation apparatus," that is, two distinct theoretical moments that must be separated. The former conundrum ("comparability") and the latter ("categories for data gathering") presuppose a conceptual bridge, which merge, however "real" or "unreal," the process in question (love/money dichotomy, non-payment of activities) within the household.

Indeed, however "eccentric" Frankel's political and theoretical posture may be as a "liberal," when push comes to shove, outright rejection of "Keynesianism" becomes the norm; "Romanticism" per se does not imply any unique necessary set of social relations, which in turn is open to an alternative analysis. The "Western-centric" vision, both explicit and implicit in Frankel's discourse, only illuminates the theoretical limitations, and does not preclude an *alternative* theoretical strategy, but rather mandates an

[48] "The marginalization of Frankel and Seers suggest that one requirement for being a mainstream economist in the postwar period was accepting comparability, which meant accepting the underlying theoretical armature" (Danby 2017: 102, note number 34)

[49] Herskovits's "cross-disciplinary attack on the problems of economic growth" (Danby 2017: 94) and the differences between "academic disciplines" (Danby 2017: 94), as a way to delimit a "boundary" whereby a "free card" is donated to study Africans, need not, nor does not become an imperative, as Danby's insistence implies, since anthropologists also take into consideration "whether" "social obligations to pay and to give," or "total cultural context" matter in the "industrialized countries" themselves.

ethical imperative to do so.[50]

For his part, Seers's was everything that Frankel's theoretical and ethical posture was not!! He consciously struggled against the specter of "the white man's burden" curse that haunted him all his life, aware of the undecidable explicit and implicit ethical guidelines of most economic narratives, but especially in neoclassical thought.

Seers's "two significant" pieces about national income estimates, one of them about current Ghana and the other one dedicated to an "underdeveloped" area, underlined limitations, and "sketchiness" of national income in colonial Africa, which was countered by Seers by an alternative proposal, taking into consideration a heterogenous "national economy," "distinct sectors," unstably assembled. Seers's main object examines an export sector of a primary product (cocoa), the domestic agricultural sector and diverse non-agricultural production. The problematic described is reminiscent of Ferguson's critique of "Lesotho," a dependent entity of South Africa: but in this case the dependent colonial economy in question managed somehow to steer clear of the consequences of the relatively asymmetric price movements with respect to their international realm, despite the unintegrated domestic nature of its "economy": Lesotho was simply an appendix to the South African economy, a labor reserve area.

Hitherto data gathering in developing nations meant relying on gathering all sorts of alternative data, and hence was prone to large "errors" (Danby 2017: 96), which made it difficult to compare among countries or "even for the same country in different years" (Danby 2017: 96). Hence Seers's insistence on the foolishness of aiming to build a model as an internally "coherent" stable "creature" (Danby 2017: 96) analogous to a "mechanical clock" (Danby 2017: 96), relying on how its parts can be assembled but contradicted by a "changing institutional structure" (Danby 2017: 96).

Seers's argument points to the inadequacies of the terms used:

> The very words 'mechanism' or 'model' convey the mental picture of a great piece of machinery. It is not at all certain whether this is the most useful mental picture even for a developed economy, since it suggests a misleading stability of structure... Such 'models' are in any case hardly needed to explain economic developments. (Seers in Danby 2017: 96)

Cycle studies or fluctuations displayed in the trading context of the primary product countries (Periphery) are more complex if examined from the peripheral economic formation's perspective, in contrast to "world commodity prices, [which] are much simpler" (Danby 2017: 96) as customers in the Center portrayed them. Foreign trade statistics introduced

[50] Frankel's theoretical admonition to keep away from "economists" ("warning to other anthropologists to steer clear of economists" (Danby 2017: 95), might actually weaken and surrender any mechanisms with which to undertake the struggle and thus hinder some form of participation in redirecting policies.

in the Periphery exhibit an instability which must be contrasted with the "national income estimates," presumed stable and "coheren[t]" (Danby 2017: 96). Equally important is the theoretical challenge of aspects that are not necessarily associated with the "estimates" themselves:

> The approach implies that as a first priority, instead of trying to fill the gaps in the 'national income,' statistical resources should be devoted to strengthening and extending foreign trade statistics – particularly to improving valuation and classification. Since an underdeveloped country *ipso facto* relies on the proceeds of exports for much of its income, and on imports for most consumer goods (other than food) and for nearly all capital goods, the trade returns supply much of the information which must taken elsewhere from tax statistics (on sources of income), from censuses of production and distribution, or the statistics collected by trade associations and retailers (on supplies to the home market). (Seers in Danby 2017: 97)

According to Danby it is not univocally just a problem of national income data gathering. A more profound theoretical hurdle is present at the same time, namely, the notion of the totality in question:

> Keynesian national income accounting starts by assuming a *coherent and self-sufficient closed economy* with a complete set of institutions, and then only grudgingly opens the borders to allow goods and finance to trickle across them – but without reimagining the institutions that structure the national economy. Seers is calling on us to *start* with the international linkages, and then build our picture of the 'national economy' out of those. (Danby 2017: 97, my emphasis)

The description of Prest's critique of Seers's reflection highlights this aspect:

> Prest evaded Seers's main arguments and focused on minor estimation points. Prest never questioned the existence, coherence, or stability of the thing he was measuring, and *read* Seers only as a series of quibbles over *how* that should be measured. These were the same tactics used against Frankel: to translate all fundamental critiques into technical quibbles, and then argue that the technical quibbles are resolvable with more technical work. (Danby 2017: 97)

Significant in Danby's description of the "quibble" in question, it relates to the apparent source of the ambiguity as if it was a "technical" debate, *independently* of the theoretical aspects of the social relations of the object examined. On certain occasions, the story portrayed the similarity of "tactics" (Danby 2017: 97) used equally against Frankel and Seers despite their divergent theoretical differences depicted by the "social" in question as well as the historical specificities of the agents that they emphasized in those African societies: for Frankel, the markets at the time were undergoing a process of evolutionary emergence. That was the benchmark

to be observed as the necessary and appropriate mechanism to think production/distribution, but which Seers problematized.

It may well be *claimed* that they share the "modernist" split, but what seems theoretically and politically important is the presence of a counterposed strategy in the making, aiming to displace the Western "imagination." However, in certain parts of Danby's story, the "iron cage" of the modernist discourse seems devoid of alternatives, free from the contested and potential struggle.

Mobile Army of Metaphors: Post-Keynesianism and Latin American Structuralism

Danby's own description transfers this problematic into a "similar" "dialog" (Danby 2017: 97) in the "Latin American 'structuralist-monetarist' debate:"

> in which Seers was also a participant. The structuralist side, which included even more radical figures, such as Celso Furtado and Juan Noyola, understood Latin American economies as theaters of political/economic conflict between different groups, not all of which were national. Depending on the country in question, those groups might include agricultural exporters whose interests and economic lives were much more closely tied up to foreign markets and finance than domestic institutions. (…) A standardized Economics that understood national economies as bounded, uniform organisms had no place for these insights. (Danby 2017: 97)

Key theoretical aspects are associated to the notion of agents, and the economic formation or "totality" constructed. The technical aspects of measuring and the data gathering techniques may seem marginal, but Danby argues that these debates generated about "national economies" as entities in themselves with little overlapping "of foreign influences" (Danby 2017: 98), which were thought in the "Marshallian sense" (Danby 2017: 98), aimed at making a clear cut divide between household and business "sectors," thus turning "problems of making the distinction" into a "merely technical" (Danby 2017: 98) issue.

Rather, a theoretical "disagreement" is required for turning those *distinctions* thinkable and, hence, for assuming the heterogenous nature of the agents (humans, sectors, households) in question. The fantastic Western-centric "auto-imagination" considered by Seers's critique on the importance of the "unintegrated" characteristics of the national unit and its external networks were simply unimportant.

On the one hand, we must merit Danby's perseverant attitude to reject as plausible and sufficient the explanation, which assumes that the "ideological" dominion of romanticist modernism is simply an effect of the ethno-centric prejudices in question, but on the other, the theoretical mechanism whereby

he questions those sharing the predispositions are close to circular: to neutralize those explanations Danby argues that these stories proceed from the presumption of the existence of a "bounded" and "coherent" entity or totality (the "West"), which means that the enunciative modality or agency, and its statements, are assumed to be necessarily "consistent." However, if agents or the enunciative modality are not necessarily fully in control of their conditions of existence (hence their "heterogenous" characteristics), the agency or the entity has no privileged and "plenitude" "self-understanding" or knowledge. Furthermore, the "Western-centric" indictment presupposes that those discourses are a coherent set of statements, but which only slip up when they leave the "space" to which those categories were supposedly constructed (the Center).

Danby instantaneously denied both the agency's unity of the West and the alleged implicit or explicit notion that Western-centric discourses are coherent in themselves. However, the latter's repudiation is not grounded, in Danby's narrative, on denying the theoretical consistency of the former:

> I see no good reason to believe that any Economics, either orthodox or heterodox, deeply comprehended everyday material life in places like Western Europe or the United States of America. What is going on is not the exporting of an autochthonous 'European' perspective, but the construction of a European self-imagination. (Danby 2017: 98)

There could be no better unsullied manner to describe how "Western-centric" discourse constructs its fantastic "self-imagination" (Danby 2017: 98) and yet Danby is well aware that the means of representation are not innocent verbal mechanisms exempted from the power asymmetries. Therefore, both the presumptions of a continental unity which seemingly generates these discourses and their (in)competence to describe appropriately its own form of "being," have a role in the war of interpretations, but then indictments on the enunciative modality as "Western-centric" are not necessarily out of order and can certainly be posed as a first theoretical strategy to *overpower* (pun intended!) the hurdle in the theoretical reconstruction of those categories themselves.

In other words, what must be examined are those conditions of existence of the conceptual entities in question, which transcend the traditional knowledge/being relationship: both sides do not conform into a general form of representation, nor a unitary form of being.

Discourses should be examined as forming part of the war of interpretations. Danby could counter by pointing to the "*productive* nature of the rationalist/romantic split" (Danby 2017: 94) as the creation of political economy, and modernist discourse, as a "combination of repulsion and attraction," a "bad-tempered collaboration" (Danby 2017: 9) between romantics and rationalists.[51] But then, the category of "ideological" has

[51] "All the characteristics of modernist political economy noted (...) are shared by two contend-

no important role to explain the logic of the arguments or the source of substantive concepts.

Danby's narrative implies a "thickly cultural understanding of economy" (Danby 2017: 119) but his theoretical aims to elucidate "uncritical descriptions of the economy," compels him to define those categories. Notwithstanding the dazzling, profound and nuanced historical depiction of the evolution of political economy, in certain occasions the book tends to nullify questions related to taking on the "social" (Wade Hands 2005).

If "romanticism" is conceived as a well-organized discursive totality (an "iron cage"), it is practically and discursively hopeless to suggest or construct distinct and alternative discourses, which is what happens, unwittingly or not, according to Danby's argument:

> At the foundation of romantic social thought is the idea that society is built out of and *depends* on common understanding and shared meanings. Just as (sic) we expect coreligionists to share common understandings via texts, images, songs, and rituals, so a romantic social analyst looks for the shared core of ideas and understandings in society in general, and then asks *how* they are shared. This is why art is so vital to the romantics: it is how communities develop and share meanings. (...) Moreover, the romantic model of knowledge comes from the *practice* of art and the *scholarship* of art, which are bodies of common knowledge and tradition learned with difficulty and discipline. While romantics praise individual geniuses in the arts, they are always geniuses *at* accessing collective truth and communicating it back to the collective. (...) *if* human society rests on knowing, on interpretation, on shared meaning, and *if* every interaction affects those shared meanings, *then* we can ask about the social and moral implications of buying a sandwich. How odd, a romantic would say, to think that the paid work that shapes our lives (...) are nothing but technical solutions to technical problems. (Danby 2017: 121-122)[52]

Therefore, meanings *and* "economic transactions" (Danby 2017: 121) circulate simultaneously via a series of reiterations and habits (Hodgson 2004, 2006, 2007), although the former are conceived as a more "existentially" loaded event, since it "knits" together social relations (society), aspects not related necessarily to whether the products are "expensive."

ing moieties within modernist political economy, rationalists and romantics. I have sought to reframe the showy hostilities between them as a ritual combat atop a substantial, consequential, and troubling platform of agreement" (Danby 2017: 170)

[52] "First, romantics are concerned with shared knowledge and understanding, not just feelings. (...) attentive to scarcities of time and attention (...) Bad art crowds out good art. (...) one characteristic of bad art is irresponsible circulation of signs. (...) Romantic critique of fashionable clothing, popular novels, and *money* all sound alarm that signifiers have gotten loose and are reproducing irresponsibly." (Danby 2017: 122)

On the one hand, Danby's critique seems to follow my own theoretical demons: "There are no [universal] historical actors. Neither gender, race, nor sexuality operates on large scales" (Danby 2017: 147), but then the encompassing modernist discursive formation cannot be presumed as a self-enclosed cohesive unified "episteme," but rather as a potentially antagonistic ensemble through which the theoretical transformations and distinct enunciative modalities are reconfigured. But on the other hand, the crucial concept of "scale,", which Danby introduces into the soul of political economy, implies an alternative and more general and radicalized (antagonistic) concept of the agent (heterogenous) and its conditions of existence, which is implicitly a prerequisite to uphold a "multi-scalar" (Giampietro et. al. 2011) perspective of the "social" complex, or the Center-Periphery perspective for that matter.

However, if the agent is not necessarily an individual human being (differing scales and entities), the story may displace the *central role* accorded to the examination of "motives in question" without much theoretical cost. More so significant is the examination of the power asymmetries, which constitute the agents and their conditions of existence: the possession in separation of certain of the prerequisites for their actual subsistence, whether organized/distributed traditionally or "culturally," elements that Danby highlighted.

At the same time, he tackles the limitations of those romantic apocalyptic discursive modes,[53] not only because they offer little substance or understanding regarding the financial ensembles and instruments discussed, but also because it leaves their "practitioners defenseless" to the IMF's own contention on the inexistence of political and/or explicative alternatives to "global markets," which allegedly is a product of a "single powerful force" (Danby 2017: 157).

The incorporation of people and capital movement across boundaries and their conditions of existence, absent in mainstream economics, makes theoretically prominent the notions of scales of the "national" or "global," since these "spaces" are not "natural," but rather "conjured into existence" (Danby 2017: 161). Whether one thinks of them as a product of the concept of the family/business split, vis-à-vis the economy, with opposed ethical features, love/money characteristics or the creativity which the forced migrations exhibit through a vast series of associations (Delgado and Marquez 2006, Aragones 2015, Guha 1998), "scale making" requires conceptual justification. The "world scale" perspective implies an intercommunicating process between "families" and (national) economies (Center-Periphery), in

[53] According to Danby, "romantic anti-globalizers" find "finance opaque, malign, and violent; and we know about it not directly, via our senses and reason, but indirectly via our confusion, dread, and alarm. For all their rhetorical truculence, these anti-globalization theorists re-affirm the IMF's view of the world. If we are to escape this trap we need to rethink the modernist priors that reproduce this agreement on the shape and nature of the world" (Danby 2017: 157)

which the concept of the mechanical financial "flows" of goods and finance is unsatisfactory in orthodox narratives.

The heterogeneity and power asymmetries' characteristics of the "world," "the modernist template" (Danby 2017: 162), defined as "untidy, loosely structured and cruelly unequal" (Danby 2017: 162), reveals Danby's ambiguity with respect to certain potential political alternatives within the individual/collective antagonistic divide: showing that the "modernist template" "limits our ability to understand the world" (Danby 2017: 161), it actually restricts the "political choices" (Danby 2017: 162). But the explanation whereby the "modernist" discourse "hides" the world tends to complicate and obscure his own posture on these crucial ethical-political decisions, since, notwithstanding the above declarations, he *does* display "alternatives" which he calls "Post-Keynesian Economics," and/or the "heterodox" literature.

Ontologically speaking, despite the "material" and "cultural" coalescence of the world ("what it is"), it seems unequivocally no "better or nicer." This singular and undecidable form of posing the examination of the social relations (individual/collective antagonistic divide) which are to be assessed is a tortuous episode which although hesitantly, is seemingly disavowed.

By means of the perspective mentioned, Danby proposed to understand "monetary and capitalist relations and multiple scales" (Danby 2017: 162), firstly criticizing the modernist narrative which "carves up" (Danby 2017: 162) economic formations (Danby's term is "society"), in "two opposed principles of loving households and competitive markets" (Danby 2017: 162) ("antagonistic markets," my term). I believe the theoretical distinctions are important and they support his argument.

The outcome of Danby's examination of the modernist "ontological" discourse depiction of the "loving households versus competitive markets" culminates indicting as "poor" (Danby 2017: 162) ways to understand and divide the "complex social world" (Danby 2017: 161). On the one hand, even if the notion of "face to face" social relations are theoretically possible, the realm of "solidaristic" kinships is not inevitably required. On the other hand, the "impersonal" qualities of finance and business activities cannot be fully understood as unescapable offshoots of "competitive markets" (Danby 2017: 162). Instead, for what follows, the latter expression can be replaced by "antagonistic markets" which follows Danby's own theoretical leap. Before radicalizing these aspects, whose sources can equally be found in Latin American Structuralism, and common to Post-Keynesian political economy, let us examine Danby's text:

> In post-Keynesian theory, business and finance may be heterogenous in institutional terms. Some markets are competitive, some are oligopolistic, some are monopolistic, and some are regulated by the government. Large and small firms may be very different creatures. Firms are often linked in enduring ways. Key prices like interest rates,

> exchange rates, and wages may be as much a product of political as market forces. This framework may incorporate productive activity that goes on under the name of household and kinship and may work out its complex interactions with activity under other names. By starting from concepts of time and fundamental uncertainty that stretch across institutionally heterogenous kinds of production, we can avoid presuming modernist ontology. Moreover, a theory of this kind is better able to understand patterns of dispossession, exclusion, and abjection that are ignored by a social ontology that boils down to loving families, plus impersonal markets on which anyone can buy and sell. (Danby 2017: 162)

First of all, the concept of "markets": are they an ensemble of distinct geographical spaces in which we localize a series of goods that can be bought, or is the category the means by which we aim to theorize the "antagonistic" intensity of diverse and heterogenous agents,[54] or alternatively, is it the locus of the power asymmetries in question?[55] So-called "competitive," "oligopolistic," "monopolistic" characteristics on occasions, appear to refer to "markets" in the general sense presumed by the existence or otherwise, of a broader set of producers, but then those entities' "markets" are not "agents," since they don't exhibit a mechanism through which a unitary calculus decision/choice is present. Agents' internal/external antagonistic mechanism is specific: a principal source may be wage levels, vis-à-vis the procedural "price" calculus decision/choice moment of its administrative management (corporate or otherwise), which in turn is a construct, a practice, a habit institutionally established under certain antagonistic set of diverse-heterogenous conditions of existence. It is in this sense that *agents* are heterogenous, significantly so because they possess in separation only certain specific and distinct set of those conditions of their existence, which generates the "heterogeneity" in question, a product of the power asymmetries.[56] Notice must be taken that the term "competition," as contrary to "monopoly," or degrees thereof, is plainly insufficient and theoretically impertinent, to think power asymmetries: the concept of "antagonism" has a "horizontal," relational embeddedness characteristic among and between agents, which displaces the architectural base and superstructure analogies": "downward or upward reconstitutive causation." Therefore, both economic formations and agents present no necessary unified form of being and/or causality/determination. Markets,

[54] On heterogeneity, see further ahead.

[55] Hence, M. Kalecki's unhesitant definition of these power asymmetries (a relative notion) with the term "degree of monopoly power" (López and Assous 2010), which should not be confused with the notion of "monopoly."

[56] Hence, "classes" can be specified according to those "entities" possessed in separation (tangible or intangible; "things" or "permissions-property rights." Obviously, a partial theoretical prelude to Latin American Structuralism was given by Marx, but superseded, in its Hegelian sense, by the former, and thus no concept of totality or necessary evolutionary process is required in a heterogenous, contingent set of social relations, see further ahead.

as localities to buy "stuff," a specific realm where goods are bought and sold as such are not "agents," they lack a mechanism of recognition to undertake choice-decisions (unless distinct agents/traders coalesce into a unit-whole).[57] However, the presence of "markets" presupposes those "social relations" through which to think the articulation of a specific set of the conditions of existence of the agents in question, which are possessed in separation from each other. The agents' choice-decision horizon is undertaken within specific power asymmetries, distinct price and interest rates, and differing time-scale ranges, hence "markets" can *only* be converted or gazed upon as agents, if they exhibit unity and a mechanism to "manage" choice-decisions. Therefore, within "markets," localities, there might be several (heterogenous) agents, buyers, sellers, visitors, etc. Which does not exclude their association and construction of a sort of "monopoly."

Therefore, agents are the product of transient, contingent institutionalization patterns, of certain social antagonistic practices, which generate rules and habits. Therefore, the notion of "systems" or totalities seems theoretically impertinent. Through the figure of the antagonism of agents, and between "economic formations" (not "societies"), both Center and Periphery, we can represent a privileged locus for the existence of agents, whether households, solidaristic or not, or "kinship" ensembles, which in turn have no pre-established necessary unified form. The "household" may become the fountain head of antagonisms, exhibiting either real or imaginary power asymmetries, as the feminist movement has appropriately demonstrated.

The flow of goods and people, their associations, at local (which also comprises Center-Periphery antagonisms) and global "scale" (Center-Periphery) is most effectively perceived in a "multi-scalar" complex: distinct angles of vision by agents, with respect to their own diverse set and plural *heterogenous conditions of existence.* In relative terms, these specific conditions of existence cannot be generalized. They are always transient, contingent, and culturally specific.[58] The strategies and examination of those antagonisms, which we can call the individual-collective divide, is the object of the reform struggle: the plans for their reconfiguration (power asymmetries) are always constitutively undecidable, given their heterogenous situation: possession separately from a certain set of their conditions of existence must

[57] Units of productive (agents), whose conditions of existence are of their "own" so to speak, may coalesce into a larger entity, a classic in this sense is Marx's sectoral description of the "concentration" under one roof (one agent), those tasks which were dispersed and undertaken by diverse and distinct agents/production units, distinguishing between formal and real subsumption of capital. Significantly, today many "productive" tasks show an inverse "historical" process: the proliferation "home-office" type of jobs, or "outsourcing" reduces many responsibilities and costs of the "larger" corporations or capital.

[58] In fact, Danby has argued that "core institutions are not universal and that other constellations of institutions may function to undergird forward transactions at the micro level, and stabilize price levels at the macro level (...) It is reasonable to expect money to mean different things and play different roles in differently structured economies" (Danby 2000: 419).

be examined from a "multi-scalar" perspective. The notion of scales, as Danby perseveres, is important to examine and to pose the respective (contested) policies with which to transform those social relations. Hence, the notion of a "non-ergodic" uncertain and "multi-scalar" perspective presupposes the heterogenous and plural universe described above. By extension, the reform-revolution dichotomy must be substituted by "piecemeal" reforms or sectors, agents, since there are no *general* conditions of existence through which to construct a more equal world: the "socialization" of "possession" into some form of unity of those conditions by means of a "plan" could mean many things, but essentially, one is thinking of transforming possession in separation into a "non-separation" ensemble through the plan. But if this path can be potentially examined, the entities to be possessed "collectively" (not in separation) is the "plan" (not necessarily things), which again pertain to those conditions of existence which permit the instituting of a "plan," implying the resurrection of the notion of "separateness" and, hence, examinations of institutions, practices, agents, and algorithms.

Hence, the concept of "time," as Danby underlined, is crucial. The emphasis on the notion of time *disparity* scales is crucial since these asynchronies form part of one of those power asymmetries previously highlighted. Agents have distinct temporal interludes, for example, in differing payment and cash flow dates, which explains Prebisch's notion of "time disparities," among and between agents, as well as Center-Periphery asynchrony, including those *within* the Peripheries and/or distinct economic formations: "Center-Periphery" antagonisms.

The Center-Periphery perspective understanding of the productive and financial "cycles," or circulating time periods, underlines the disparity, or "time" asynchrony under which diverse sectors and agents configure their calculations,[59] which presupposes the heterogeneity in question: the inherent antagonism in the process through which prices are *instituted*, that is, the differing real or imaginary profit rates perceived and constructed, underlines much of Danby's description of post-Keynesian theory as does the expression of "time gaps" used and Prebisch's own notion of "time disparities." These aspects reveal the problematic and uncertain consequences within contingent rules in process which agents must resolve, through a series of discursive and practical "conventional" habits (the "prices") in question:

> *Some* institution or institutions must handle this - I use 'institution' in a general sense of some regularized system of interaction with rules, whether it is embodied in an organization, enforced by contract law, despotically coerced, or supported by an informal social code. One of the more interesting questions (...) is how this coordination works [?]

[59] I presume that the notion of the "rational agent" or "representative agent" and "equilibrium" of mainstream economics has no business (pun intended!) and is theoretically bankrupt. See Ackerman et.al. (2004).

(Danby 2017: 163)[60]

But Danby's admirable theoretical transition exhibits certain ambivalences if looked at from Furtado's or Prebisch's posing of the problem. In some cases, mainstream and post-Keynesian economics share certain common specifications regarding "households" and "business."[61] We aim to show, through Danby's own categories, the positive effect of their inclusion but within an alternative more encompassing concept of the "agent." Although "households" "produce" a set of "services" (Danby 2017: 163) within the unit in question, these are equally "time-sensitive," whether in money or institutionally arranged conventions. These activities-services and their "equivalences" and "exchanges," between agents, "households" or "businesses" are not "pre-constituted," and their conditions of existence are equally the product of antagonistic coordinating moments and decision-choice making. In other words, neither "households" nor "businesses" are a "bed of roses." Danby's presentation of the problematic in question commits the narrative to exclude "households" as "having the *purpose*" (Danby 2017: 163) of making money, but which his own examples in note number 3 (Danby 2017: 163) tend to contradict. I insist on these aspects because, in many instances, "households" are also "businesses," examples of which Danby's own book exhibit.[62] What tends to be *confused* in the literature is the existence of some "money" and "conventions" habits/exchanges, under a diverse set of historical conditions *with* an apparent hegemony of the commodified form *a la* Marx, hence Danby's use of the term "formally" to think these interactions (time-money-conventions fix exchanges) when talking about "businesses." Here the post-Keynesian "cash-flow" perspective seems, undoubtedly, a "time-dated" (Danby 2017: 163) obligation.

On the other hand, Danby's account is *fortunately* relatively inconsistent, since he also underlines the heterogenous aspects of the agents and their conditions of existence, and the theoretical consequences that I am trying to emphasize:

> Households, individuals, firms, and any other relevant units can therefore be characterized, at any moment in time, by (a) their commitments to do or provide things for others in the future, and (b) others' commitments to do things for them or provide things to them. These commitments may be precise and precisely time-dated (e.g., bill

[60] As we will observe further ahead, what needs questioning is the theoretical role of the category "system," otherwise the duplicitous characteristics of the notion of synchronicity/asynchrony cannot be questioned. Its corollary implies calling Saussure's bluff on the presumed "systematicity" and therefore the analogy of "language" regarding a monetary organization, and not least the presumed "systematic" nature of the organized chain of meanings (significant/signified), whose significations are defined *negatively*. Significations may well be the product of a negative process of meanings, but it does not follow that they are a well-organized "totality."

[61] Hicks (1946: 245), Klein (1946), Wade Hands (1991: 169).

[62] Indeed, Danby declares that it does not matter if we consider activities by "household" as necessarily "loving," or kinship as solidaristic.

> payments) or impressive and heavily contingent on circumstance (e.g., a parent's open-ended obligations to a child). They may or may not be monetized, and they will reflect differing types of obligations and norms and power in terms of who meets obligations to whom and how. (Danby 2017: 164)

Emphasizing power asymmetries as contingent and antagonistic aspects of the complex in question, whether at the local "level," within or between economic formations (Center-Periphery), as seen above, also implies emphasizing that agents are not necessarily "individual" human beings: whether "households" or "businesses." The decision/choices may be invoked through an "individual," having previously undergone a collective "conversation-discussion" on many counts; and on the other, the decisive dominion of certain "kinship's ensembles" which realize simultaneously "love/and money" activities, can be observed as having de-Centered the agents "decision/choice" away from the "household" *and* establishing "equivalences" of exchanges within and without the latter entities not solely in "monetary" terms, in which certain obligatory, symbolical, traditional practices are taken into account. Danby's own story can corroborate all that.

But I distrust the overriding pertinence that Danby gave to the notions of "introspection" and "subjectivity":

> Once we think of a person, household, or firm as enmeshed in future commitments, our attention is drawn to the large range of institutions that in various ways enable, condition, encourage, discourage, thwart, constrain, or enforce commitments, which may include government, law, community, family, friendship, and religious institutions. It (...) bears repeating that 'ties' and institutions can be systematically and cruelly oppressive, and that some institutions, like race or class differences, work in part by *limiting* the kinds of social ties people are able to draw on, make, and sustain. This is one obvious point at which culture enters. (...) it is not news that economy is cultural, always deeply culturally embedded. (Danby 2017: 164)[63]

My main "beef" with Danby's way of representing the antagonistic and heterogenous characteristics of the social ensemble is associated with the category of the "cultural." The simple assumption of an entity, sharing or under the rule of a series of (antagonistic) meanings and symbols, gets theoretically troublesome when it involves converting individuals' "time-map" within and between each other into a "totality": an "ensemble of *all* of these maps, with all their interconnections" (Danby 2017: 164).

> This gives us one possible vision of a larger 'economy,' and it will quickly be apparent that such an economy is global (such ties have never been

[63] In note number 4, Danby writes: "even institutions that *present* themselves as bureaucratically-formal and rule-bound are in practice often reliant on particularist social ties" (Danby 2017: 168).

> stopped by national borders) and that it is not cleanly bounded off from other spheres of social existence. The resultant networks have properties of their own. (Danby 2017: 164)

I am concerned here with the idea that we can envision "all" these maps into a "whole," interconnected, which precisely displaces those theoretical conditions that are the aim to emphasize: those historical and contingent ("multi-scalar") aspects of the agents and their ensemble. Questioning the existence of a "general" rationality, as Danby seems to be posing, notions of a "global economy" governed by a single motive force are a non-starter. But on certain occasions, Danby's espousal of the "modernist ideology" and its critique undermines part of his argument.

The idea of "diachronic" and robust "financial institutions" mentioned by Danby's "forward transaction" and "spot" transactions, implies paradoxically an uncertain future, since in Danby's own words, there "are no bright lines between sound and worthy projects and crazy" (Danby 2017: 165) ones,[64] and collaterally it also holds for the process of "production" per se, since it requires a specific financial support.

Money as a financial asset and simultaneously a liability regarding other agents (it just depends at which end of the transaction you are upended), procreates a distinct monstrous "ontology" unimaginable to anti-globalizers discussed:

> A Post-Keynesian social ontology starts *in* time, and thus always already *in* finance. Finance generates the conditions for making goods and services and generates money as part of a spectrum of financial assets. (Danby 2017: 164)

However, according to Danby's portrayal of the illusory "modernist" theory of production/finance, as an unruly contradiction, its theoretical

[64] Prebisch's notions of time disparities (or time asymmetries) between and among agents when closing obligatory commitments, in Danby's words as "time-dated," or relatively contingent under certain forms of obligations which might not be so precise, forms parts of the concept of "uncertainty." These time "scales" of the agents, with certain high levels of leverage (those very credit worthy), may be able to adjust their "payroll dates," interest or wages through new credit terms. Hence in a "forward-transacting" ensemble, the notion most underlined by Post-Keynesians, generally through Keynes's own notion is the idea of "uncertainty," and yet Prebisch wants to go one better, using instead the idea of "time disparities": if time had a known constant unit of sorts -within a commercial setting or future transacting complex -, the very idea of "uncertainty" would be redundant. Keynes's critique has nothing to do with the existence or otherwise of certain probabilities to calculate the "uncertainty" in question, and which Danby highlights by the term as "ontological" condition is well taken, but then Prebisch's own notion on time disparities has to be seen as a theoretical condition of existence of uncertainty itself. The ensemble's existential conditions (time/uncertainty) explain "wave", "undulatory," movements of the economy: an asynchrony between space and time disparities of the circulatory and productive processes; between "capitals," given the power asymmetries among them: "locally", regionally and "worldwide": "Center-Periphery" (Prebisch 1948d, 1949a, 1949b); on endogenous money see Prebisch (1944a). Above I have suggested delinking Prebisch from "Singer" and/or "Thirwall," a fashion dominant in today's Western-centric academy.

transformation requires incorporating "history and large-scale power" and "subjectivity and knowledge" (Danby 2017: 166). I suggest that contrary to Danby's proposal, not much is lost if we displace notions of "subjectivities" and "knowledge" of the "other": Latin American Structuralism, as has already been highlighted, does not presume agents or "actors" (Danby 2017: 166), as generally human beings, and using Danby's own words, because "institutions are contingent and reproduced through repeated performances" (Danby 2017: 166).[65] Nonetheless, Danby's story is notable since he considers that "history," "law," "government," states, or institutions "can be changed" (Danby 2017: 166). Pages under the heading of "Implications" (Danby 2017: 166) are some of the most advisable and brilliant to read, since the author finds himself under the unrenounceable ethical decision: "political history" (Danby 2017: 166) or more simply put: "power asymmetries." The latter become the central object of "economics," through an elegant prose which manages to verbalize these aspects as "institutional change" (Danby 2017: 166): "Celso Furtado, Michal Kalecki, Juan Noyola, and K. N. Raj" "this approach" (Danby 2017: 166) took "strong interest in sectoral conflicts within nations" (Danby 2017: 166).

The emphasis in Furtado's insistence to take account of the variety of agents' struggles, under diverse historical circumstances, brings to light the reference to "distinct groups" as the entities that can be posed as the "economy."[66] Danby's attractive prose conceals this perspective, sometimes unwittingly, since he takes back with one hand what he had offered with the other: "it does not reduce politics or history to economy, for that reason does not theorize power as necessarily emerging from economy" (Danby 2017: 167), but on occasions Danby's own narrative and Latin American structuralist stance run against these statements: power can only be posed as "necessarily emerg[ing] from [the] economy." My interpretation of the ambivalent transition and theoretical difficulty is associated with the approach of Danby's presentation of the question. By his own stipulations, the "Economy and material life matter," is not a "free-standing realm, nor an adequate basis for explaining history" (Danby 2017: 167), opening the possibility of an alternative discourse.

And yet, how we can think of the social relations, which are presupposed by the term "economy," its heterogenous conditions of existence, as the consequence of power asymmetries, represents those "objects" as the "matter" in the perspective in question. In other words, it does not negate the possibility of alternative narratives delving into "economics," but Danby's

[65] A tradition exemplified by Marshall, Kuznets, and Rao to whom the "Economy and family were opposed *mentalities*" (Danby 2017: 88, my emphasis) or "how to understand formal and informal employment, factories and backyard gardens, kinship obligations, Godparents, inheritance and marriage practices, trade unions, religious congregations, civic festivals, private charities? What are the *motives* for these people's behavior?" (Danby 2017: 98).

[66] "There is no 'outside' to politics or to economy. There are no neutral referees or apolitical technocrats" (Danby 2017: 166).

lukewarm commitment seems ethically ambiguous,[67] evading the "social" (Wade Hands 2005), or the politics and decisions democratically discussed with the aim to transform the individual/collective divide. In contrast to Latin American Structuralism, it begins and culminates with a narrative aiming to offer alternatives and policies related with "social justice," notwithstanding Marxist scathing attacks during the 1970s and 1980s. Despite that, it must be said, Latin American Structuralism subsumed or using a Hegelian notion, "superseded," major aspects of Marx's hostility and critique of "capitalism," but displaced notions on "being" and "knowledge" articulation and the presumed "economic totality."

Clearly, Danby's effort to salvage theoretically as worthwhile the advancement of a "post-Keynesian subjectivity" (Danby 2017: 167) is not necessarily at odds with Latin American Structuralism, although it generated certain ambiguities I wish to discuss. The "subjective/knowledge" couple narrative delves into the issue as to "how knowledge works" (Danby 2017: 167) in "economics" and touches on the importance of "uncertainty" (post-Keynesian) and on "information asymmetries" (Danby 2017: 167), and yet inadvertently culminates in a fundamental aspect in Latin American Structuralism: the heterogeneity of the agents (entrepreneur, banker, consumer), which are not necessarily human individuals and hence construct distinct optics for "solving" and calculating their respective aims and "paths." Individuals may be the vehicle through which discussions are elaborated, in corporations or associations and unions, schools, and yet the entity which voices the choice-decisions has previously had to embark on a series of practices and dispositions governed by logics which cannot be made synonymous to "subjectivity": in other words, not all agents are individual "human beings."

Human individuals' "experience" is materialized under specific and disparate discursive historical modes of existence, and unlike Thatcher's dictum that *only* individuals exist, the source and presence of some rules and habits are not univocally the product of these agents, and whose mode of existence implies a whole set of heterogeneous agents: aims and mechanism of choice-decision are in turn, on occasions, the consequence of an administrative mechanism ensemble of a bureaucratic managerial hierarchical predisposition (corporate forms). Analogies between the "individuals" and "corporations" as under the category of "human subjectivity" with their respective modes of deliberations and mechanisms of recognition can only serve to discard those very set of conditions (power asymmetries), which are the basis to think those agents under their own historical conditions.

In some contexts, "human" individuals may be agents to reckon with, but they do not present a unified or pre-established constituted narrative and mechanism through which to solve the choice-decision. A "household," is

[67] See Furtado's reflection on the ethical consequences of thinking this problematic, above.

itself a configuration of a variety set of agents-individuals, it also does not possess a univocally pre-established unity. Equally important differences and power asymmetries can be observed among and between a great variety of agents: "businesses," individually or corporately "owned/managed," and last but not least "workers" and their organizations present an equally diffuse range of narratives which explain their "recognition" and mechanism of decision-choice. Social justice in the context of the individual/collective antagonistic divide implies a struggle for a reconstruction of the boundary in question in a democratically contested complex.

One could argue that the notion of a "modernist" ontology does not exhibit the necessary qualities of a unified realm, which if unwrapped could set free diverse and contested plural theoretical alternatives. In this context, differing enunciative modalities are potentially power enabling for autonomous discourses. Therefore, questioning the pertinence of the substantive categories which give credence to modernism discourse is important, for example "individual psychologies" and "national units" and the ingrained teleological transition between tradition and modern. But the hegemonic discursive formation of "modernism"[68] Centered around *certain* categories limits theorizing "kinship," "community," and other institutions and their diversity or heterogeneity, which Danby emphasizes. Otherwise, the "international" space (Center-Periphery)[69] and its flows may be perceived as a set of uncontaminated social relations and/or antagonisms as expounded by mainstream economics.

Potential "political alternative[s]" (Danby 2017: 162) are deceptively unviable and yet it's mandatory to flee from discussing "ontologies" as fully fledged totalities, as well as interrogating-rejecting those specific sets of notions presupposed by the agents (as *necessarily* human, psychologies, introspections). But more generally, what I am arguing has to do with discarding the idea of discourses as a guarded set of padlocked categories (an "iron cage"), and which on certain instances can be deduced form Danby's narrative. Perhaps the reader may have perceived the irony of my critique, since if, as my contention presupposes, the absence of padlocked discourses is the norm, then "inconsistencies" are the rule (the norm)[70]. I see no problem

[68] According to Danby, both Marx and Keynes seemed wavering ambiguously in their standing as "romantics."

[69] A singular ruling of the totality in question is actually problematized: "My suggestion is that the world is not in fact very tightly organized, and that the financial markets are flighty and unreliable. Apologists and critics alike risk pareidolia, that is to say a tendency to read signals that are not there, and attribute more coherence than really exists. What is the warrant for assuming that international financial markets, or global capitalism or what have you, function according to any *single* inexorable logic, whether that is the logic of Moloch or Adam Smith? At the global level, we risk being frightened by a creature of our minds, an inflated image of international capitalism. At the level of the nation, the close alignment of society, population, and nation promoted by this kind of data has authorized the disciplining of households, and hindered migration and transnational kin and community ties" (Danby 2017: 170).

[70] I am *not* going to bring K. Gödel into the picture, but his contemporary A. Lovejoy (The

in assuming the possibility of a non-closed discursive formation with their respective antagonistic enunciative modalities: it is the only option which can illuminate the presence of discourses not *necessarily* governed by the ideology of modernism or "Western-centrism," and therefore discarding the idea that everything necessarily, under specific set of social relations "melts into air." Classical "ontologies" can only maintain certain "consistency" under the cloak of a "being" whose conditions of existence is "general." If alternative discourses are politically game changers, social relations may not unequivocally "melt into air."

On the other hand, Danby's second claim conveys "modernity" as coming fully into being after WWII, with the rise of a formal symbolic order of equality between nations and the end of "colonialism," which explains the rise of discourses through which to diagnose and discipline governments. However, this description then would have little theoretical bearing if it were not for its aim to discontinue with traditional academia notions of "space," as did Latin American Structuralism, bringing to the fore the Center-Periphery perspective. In fact, Danby recovers in this sense Tsing's concept of "scale-making projects" (Danby 2017: 170) whose vision:

> shows are not just that such scales as the national and global are made things, but that they are complex assemblages that do much work, incorporating not only the voices of governments and large businesses, but also simultaneously, rhetoric of suspicion and conspiracy. (...) Where Jameson and Graeber see conspiracy theories as demotic strivings to grasp the unknowable, Tsing shows that they are allied fictions, lurid retracings of the same notions of power and scale. (Danby 2017: 170)

The definitions above related to the idea of "spaces" and their "logic" certainly sound more hesitant than modernity's apparent ranting argument on the ineffable capitalism, tradition/modernity, or rationalist/romanticist designations.

Concluding Remarks

Therefore, to recapitulate, my critique of Danby's book in fact reinforces my own ethical posture, which implies a decision to engage in a judicious democratic hegemonic struggle (political), involving a discussion of the role and extension of the individual/collective divide with respect to the regulations and institutions which should dominate social relations among agents. Therefore, the heterogenous characteristics emphasized by Latin American structuralist economics, although subversive of the Western-centric "auto-imagination," can also become a theoretical support to radicalize a "post-Keynesian" vision that Danby emphasized. The very possibility of organizing in disparate ways the process of production and

Great Chain of Being), should be enough to quell the debate.

circulation means that there is no overriding determination and teleological process to insist on the idea that "modernism" will "melt social relations into air." Today's so-called "left" or "right" divide cannot be the basis on which we can undertake the struggle to generate a more equal and better world, the reconstruction of the productive complex and its contingent social processes supposes examining the heterogenous and power asymmetric forces of the world we live in.

To sum up: first, we intended to describe Danby's account of the rise of the rationalist-romanticist discourse within the framework of a discussion of modernism (the Western-centric "auto-imagination") and the construction of the household/business, (love-money) distinction, as well as its role and consequences to economics with the emergence of the statistical revolution and the generation of mechanisms through which to survey and measure the existence of a world totality. Subsequently, I discussed under the banner of the rise of development economics the theoretical agents and "white man's burden curse" in Africa, through a series of authors that unknowingly subsequently formed part of the worthiest theoretical moments in economics, offshoots of Western-centric discourse. Finally, I engaged with Danby's "post-Keynesianism" with the intent to transform the vocabulary through Latin American Structuralism's vision, which obliges us to rethink political alternatives to construct a better and more equal "society."

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